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United Nations

Fund of the United Nations Environment Programme

Financial report and audited financial statements

for the biennium ended 31 December 2007

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-third Session
Supplement No. 5F

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Report of the Board of Auditors

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Note

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31 March 2008

I have the honour to transmit the financial report and statements of the United Nations Environment Programme, including associated trust funds and other related accounts, for the biennium 2006-2007 ended 31 December 2007, which I hereby approve. The financial statements have been completed and certified as correct by the Chief Finance Officer.

Copies of these statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

(*Signed*) Achim **Steiner**
Executive Director
United Nations Environment Programme

The Chairman of the Board of Auditors
United Nations
New York

30 June 2008

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Environment Programme for the biennium ended 31 December 2007.

(*Signed*) Philippe **Séguin**
First President, Court of Accounts of France and
Chairman, United Nations Board of Auditors

The President of the General Assembly
United Nations
New York

Chapter I

Financial report for the biennium ended 31 December 2007

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report and statements of the United Nations Environment Programme (UNEP), including the Environment Fund, associated trust funds and the related accounts, for the biennium 2006-2007 ended 31 December 2007. There are nine financial statements, supported by three schedules and notes. The financial report and statements were transmitted to the Board of Auditors on 31 March 2008.

2. Comparative figures for the biennium 2004-2005 ended 31 December 2005, as appropriate, have been reflected in the financial statements.

3. The following changes have been made in conformity with United Nations Headquarters reporting requirements and in preparation for the adoption by the United Nations of the International Public Sector Accounting Standards:

(a) The interfund balances are no longer offset;

(b) The accounts receivable and accounts payable are reported without offset;

(c) Accrued liabilities for end-of-service benefits, comprising after-service health insurance liabilities, unused vacation days and repatriation benefits, are presented as liabilities in the accounts. The effect of this change is an increase in total liabilities and consequently a reduction in the cumulative reserves and fund balances.

The 2005 balances have been restated accordingly.

4. The financial statements and schedules, as well as the notes thereto, form an integral part of the financial report.

B. Financial overview

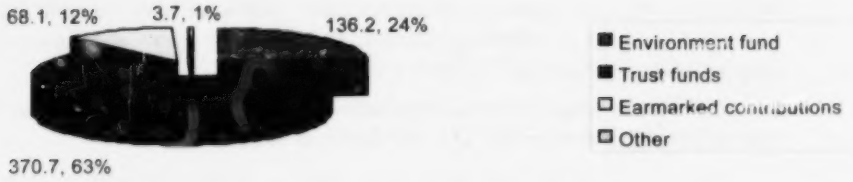
All funds

5. Statements I to III show the combined financial position of all UNEP funds for the bienniums ended 31 December 2007 and 2005, with the exception of the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer, for which UNEP acts as Treasurer, which is reported as statement IX.

6. UNEP income for the biennium 2006-2007 increased by $59.9 million (11.5 per cent) to $578.7 million.

7. Figure I.I shows UNEP income for the biennium 2006-2007 by major category.

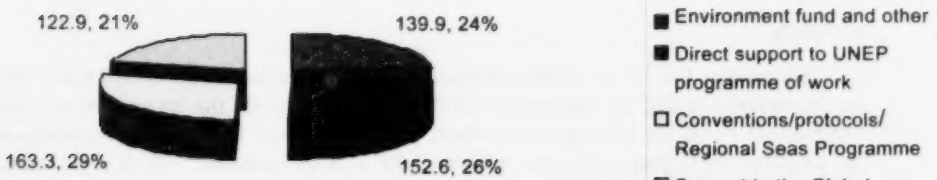
Figure I.I
UNEP income by category, 2006-2007
(Millions of United States dollars and percentage)



8. The Environment Fund, which constitutes the core resources of UNEP, is considered in more detail in paragraphs 18 to 31 below.

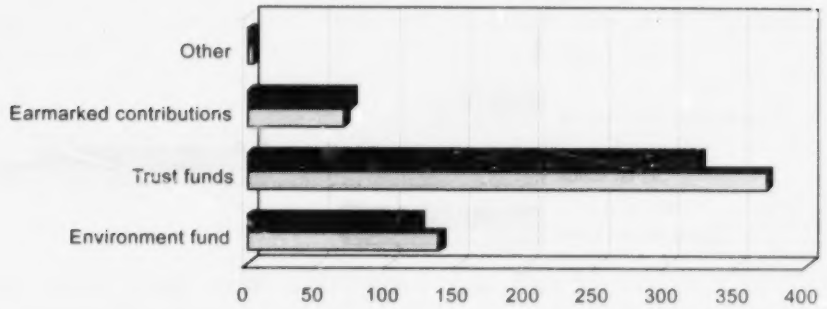
9. Figure I.II shows UNEP income for the biennium ended 31 December 2007 by type of support. The Executive Director of UNEP directly controls 50 per cent of its income.

Figure I.II
UNEP income by type of support, 2006-2007
(Millions of United States dollars and percentage)



10. Figure I.III provides a comparison of UNEP income by source of funding for the bienniums 2006-2007 and 2004-2005.

Figure I.III
UNEP income by source of funding, 2004-2005 and 2006-2007
(Millions of United States dollars)

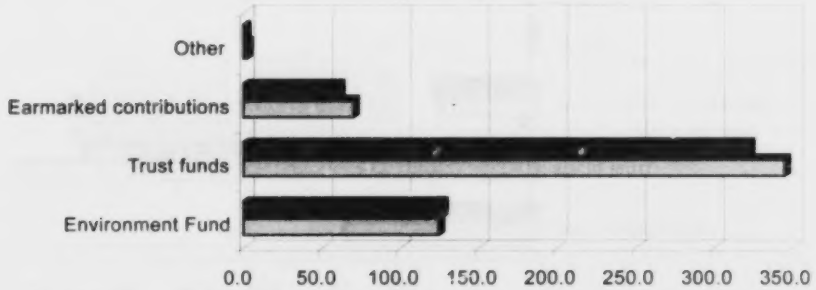


	Environment Fund	Trust funds	Earmarked contributions	Other
■ 2004-2005	121.3	322.2	73.4	1.9
□ 2006-2007	136.2	370.7	68.1	3.7

11. Expenditure for the biennium 2006-2007 increased by $31.3 million (6 per cent) to $541.8 million, which reflects an increase in the overall implementation of the UNEP programme of work.

12. A comparison of expenditure by source of funding for the bienniums 2006-2007 and 2004-2005 is provided in figure I.IV.

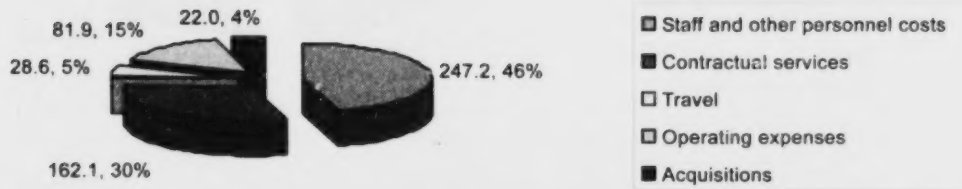
Figure I.IV
UNEP expenditure by source of funding, 2004-2005 and 2006-2007
(Millions of United States dollars)



	Environment Fund	Trust funds	Earmarked contributions	Other
■ 2004-2005	126.3	322.0	61.3	0.9
□ 2006-2007	124.9	344.1	70.5	2.3

13. Expenditure for the biennium 2006-2007 by category is shown in figure I.V.

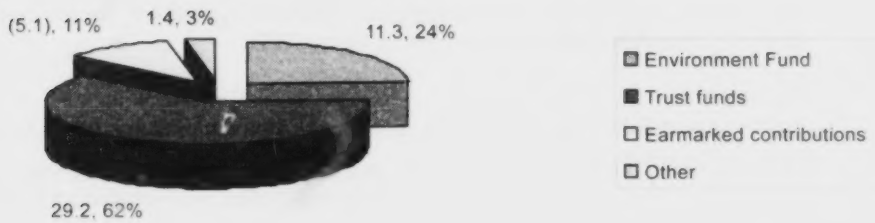
Figure I.V
UNEP expenditure by category, 2006-2007
(Millions of United States dollars and percentage)



14. For the biennium ended 31 December 2007, there was a net excess of income over expenditure before adjustments of $36.8 million as compared to $8.3 million for the biennium ended 31 December 2005. Contributions to technical cooperation trust funds, earmarked contributions and Professional Officer trust funds are accounted for when received in cash. Expenditure may only be committed once funds become available.

15. Figure I.VI provides a breakdown of the excess/shortfall of income over expenditure by major category. There was a shortfall only in the earmarked contributions.

Figure I.VI
UNEP excess/(shortfall) of income over expenditure, 2006-2007
(Millions of United States dollars and percentage)



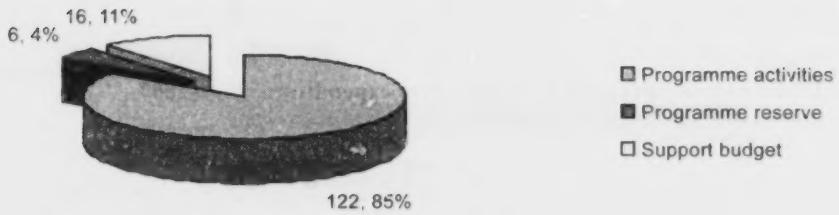
16. Overall, total reserves and fund balances decreased by $4 million (1.7 per cent) to $237.4 million. This was mainly due to non-budgeted expenditure in respect of the accrual of end-of-service benefits.

17. The cash position, including the cash pool, increased by $45.8 million (18.7 per cent) to $290.5 million.

Environment Fund

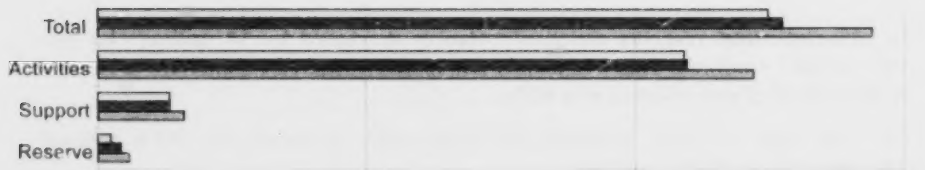
18. The Governing Council of UNEP, in its decision 23/3, approved an appropriation of funding resources for the biennium 2006-2007 of $122 million for the programme activities of the Environment Fund, $6 million for the Fund's programme reserve activities and $16 million for its biennial support budget (see fig. I.VII). The total approved programme budget for the biennium 2006-2007 was $144 million.

Figure I.VII
Environment Fund appropriations, 2006-2007
(Millions of United States dollars and percentage)



19. Total appropriations, allocations/allotments and expenditures for the biennium ended 31 December 2007 are indicated in figure I.VIII.

Figure I.VIII
Environment Fund appropriations, allocations and expenditure, 2006-2007
(Millions of United States dollars)



	Reserve	Support	Activities	Total
Expenditure	2.4	13.4	109.1	124.9
Allocations	4.2	13.4	109.8	127.4
Appropriations	6.0	16.0	122.0	144.0

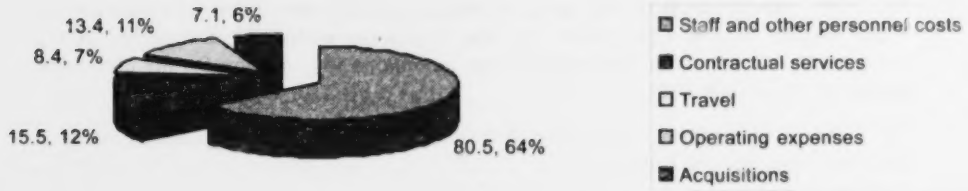
20. The Executive Director allocated $127.4 million (88 per cent) of the approved budget for implementation purposes. This is almost identical to the $127.9 million in contributions received during the biennium.

21. Total income for the biennium ended 31 December 2007 increased by $14.9 million (12.3 per cent) to $136.2 million.

22. Expenditure for the biennium ended 31 December 2007 decreased by $1.4 million (1.1 per cent) to $124.9 million.

23. Figure I.IX shows a breakdown of Environment Fund expenditure by category for the biennium 2006-2007.

Figure I.IX
Environment Fund expenditure by category, 2006-2007
(Millions of United States dollars)



24. Figure I.X provides a comparison of Environment Fund expenditure by category for the bienniums 2006-2007 and 2004-2005.

Figure I.X
Environment Fund expenditure by category, 2004-2005 and 2006-2007
(Millions of United States dollars)

	Staff costs	Contractual services	Travel	Operating expenses	Acquisitions
2004-2005	70.4	23.2	8.1	16.6	8.0
2006-2007	80.5	15.5	8.4	13.4	7.1

25. Resources were shifted from contractual services to cover increased staffing costs in order to meet the commitments of the Environment Fund within the projected funding. A significant element of the increase in staff costs resulted from the weakening of the United States dollar.

26. Expenditure from the programme and programme reserve budgets for the biennium ended 31 December 2007 was $111.5 million, compared to $113.0 million for the biennium ended 31 December 2005, a decrease of 1 per cent. Programme and programme reserve activities represented 89 per cent of Environment Fund expenditure.

27. Expenditure from the support budget increased by $ 0.1 million (1 per cent) to $13.4 million. Programme support activities represented 11 per cent of Environment Fund expenditure. When adjusted for inflation, this represents a reduction in support expenditure in real terms.

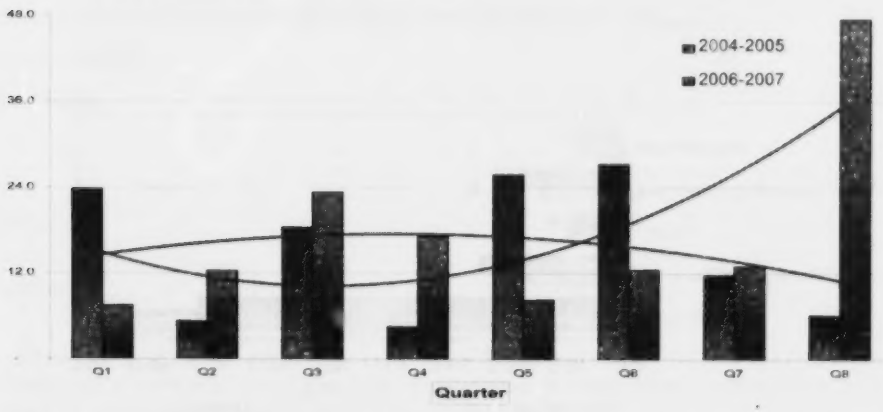
28. The Environment Fund had an excess of income over expenditure of $11.3 million before adjustments for the biennium ended 31 December 2007, compared to an excess of expenditure over income of $5.1 million for the biennium ended 31 December 2005.

29. The cash position, including the cash pool, increased by $22.3 million (76.9 per cent) to $51.3 million.

30. The cumulative fund balance and financial reserve as at 31 December 2007 increased by $11.3 million (74.8 per cent) to $26.4 million.

31. Contributions to the Environment Fund increased by $9.4 million (7.9 per cent) to $127.9 million. Figure I.XI provides a comparison of trends in the contributions received between 2006-2007 and 2004-2005.

Figure I.XI
Environment Fund: quarterly contributions, 2004-2005 and 2006-2007
(Millions of United States dollars)



A significant portion of the contributions were committed by donors late in the current biennium and the upward trend for 2006-2007 contrasts with that for 2004-2005. Consequently, funds were not available in time to be allocated to the programme during the biennium but the Executive Director was able to increase the

financial reserve by $5 million to $15 million and to contribute to the increase in carry-over to $11.4 million from $5.1 million.

End-of-service and post-retirement benefit accrued liabilities

32. As at 31 December 2007, UNEP fully accrued for the end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, unused vacation days and repatriation benefits. Since July 2002, UNEP has been accruing repatriation benefits at 8 per cent of net salary but no accruals have been made in respect of after-service health insurance and unused vacation days as these have normally been charged on a pay-as-you-go basis. By fully charging these liabilities in the financial statements as at 31 December 2007, an amount of $40.6 million of unbudgeted expenditure is shown in statement I. The accruals that have been made are based on amounts provided by the United Nations Secretariat and, in respect of after-service health insurance, were determined through an actuarial study. Details are disclosed in statement VIII and in note 12 to the financial statements.

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements of the United Nations Environment Programme (UNEP) for the biennium ended 31 December 2007. The audit was carried out through field visits to the regional offices in Geneva and Bangkok, as well as a review of the financial transactions and operations at UNEP headquarters in Nairobi.

The Board issued a modified opinion with one emphasis of matter on the financial statements for the period under review, as reflected in chapter III. The emphasis of matter relates to non-expendable property. Owing to exceptional circumstances at the date of the audit, the Board was not provided with the results of the physical inventory and therefore was unable to entirely corroborate the amount of $17.5 million disclosed in note 13 to the financial statements.

Coordination with internal audit

The Board coordinated the planning of its audits with the Office of Internal Oversight Services in order to avoid duplication of effort. In addition, the Board reviewed the internal audit coverage of the operations of that Office to assess the extent to which reliance could be placed on its work.

Follow-up of previous recommendations

In response to the request of the Advisory Committee on Administrative and Budgetary Questions and in line with paragraph 7 of General Assembly resolution 59/264 A, the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated the financial period in which such recommendations were first made. Of the 27 recommendations, 18 (66.6 per cent) had been fully implemented, 7 (26 per cent) had been partially implemented and 2 (7.4 per cent) had not been implemented at all.

Overall financial overview

For the financial period under review, total income was $578.6 million, compared with $518.8 million for the previous biennium, an increase of 11.5 per cent. Total expenditure amounted $541.8 million, compared with $510.5 million for the previous biennium, an increase of 6.1 per cent. This resulted in a gross surplus of $36.8 million, compared with an excess of $8.3 million in the preceding biennium.

However, after taking into consideration for the first time the non-budgeted accrued expenses of $40.6 million provided for end-of-service liabilities and after prior-period adjustment, the adjusted net result as at 31 December 2007 represented a deficit of $5.5 million, compared to a deficit of $6.6 million in the preceding biennium.

These comparisons have been made with the reviewed 2004-2005 balances, as detailed in notes 4 and 7 to the financial statements for the biennium 2006-2007.

Statement of income and expenditure

The main reasons for the increase in income ($59.8 million) were the increase in voluntary contributions (8 per cent, or an additional $40.3 million) and the revenue generated by bank interest (135 per cent, or an additional $12.5 million), resulting from the rise in interest rates and the increase in the average amount invested.

Information provided with the financial statements

The information provided with the financial statements was inadequate on two points: (a) the regular budget revenue and expenses did not appear in the UNEP financial statements even though they appeared in its budgets; (b) the total of the advances paid to the implementing partners was incorrectly allocated to "Other receivables" instead of "Advances provided to implementing agencies".

End-of-service liabilities, including after-service health insurance liabilities

As requested by the General Assembly in resolution 61/264, the Board has validated the after-service health insurance liabilities recorded in the financial statements. This was achieved through reliance on the external actuarial valuation and the Board's own procedures. As at 31 December 2007, such liabilities totalled $38,145,000 and liabilities for unused vacation leave and accrued repatriation benefits totalled $21,220,000. However, these provisions remain unfunded.

Preparation for the adoption of the International Public Sector Accounting Standards

UNEP has not yet elaborated its specific plan for the preparation of implementation of the International Public Sector Accounting Standards.

Financial and accounting functions

The transfer to UNEP of the financial and accounting functions carried out by the United Nations Office at Nairobi was begun with no clear stipulation of the scope and nature of the contemplated transfers.

Contributions management

The Board noted that long-outstanding pledges of contributions were shown as receivable, owing to a specific rule as regards funds under multilateral agreements. According to this rule, pledges made under multilateral agreements are written off with the approval of the parties concerned, with no established time frame. This is unlike pledges to the Environment Fund, which are written off after four years and with the approval of the Governing Council of UNEP. As a result, doubtful receivables were included in financial statements with no specific mention or provision.

Non-expendable property

In the absence of a comprehensive physical inventory, which was still being completed at the time of the audit, and of an effective asset management system, the completeness and accuracy of the amount of $17,498,000 shown in note 13 to the financial statements could not be fully verified.

Recommendations

The Board has made several recommendations based on its audit, which are summarized in paragraph 9 of the present report.

A. Introduction

1. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Environment Programme (UNEP) for the financial period from 1 January 2006 to 31 December 2007, in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as with the International Standards on Auditing which require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial situation of UNEP as at 31 December 2007 and the results of its operations and cash flows for the financial period then ended, in compliance with the United Nations system accounting standards. This included an assessment of whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditure had been properly classified and recorded, in accordance with the Financial Regulations and Rules. The audit also encompassed a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UNEP operations under financial regulation 7.5. This requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNEP operations. Also, the General Assembly had requested the Board to follow up and report on previous recommendations. Those matters are addressed in paragraphs 12 to 25 below.

4. As requested by the General Assembly in its resolution 61/233 A of 22 December 2006, the present report contains information on the preparations for the adoption in 2010 of the International Public Sector Accounting Standards. Furthermore, as indicated by the Advisory Committee on Administrative and Budgetary Questions (see A/61/350), the adoption of those Standards will require that organizations adapt their accounting data-processing systems, which presents an opportunity to undertake studies on standardization across the United Nations system. The Board has conducted an analysis of the potential gap between the plans designed for the conversion to the Standards and the enterprise resource planning system.

5. As requested by the General Assembly in its resolution 61/264 of 4 April 2007, the Board has included in its report information on the after-service health insurance and other end-of-service liabilities which, in preceding years, was provided only in the notes to the financial statements.

6. The Board continued to present the results of audits to the Administration in the form of management letters containing detailed observations and

recommendations, which practice allowed for an ongoing dialogue with the Administration. Four management letters were issued for the period under review.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The observations and conclusions of the Board were discussed with the Administration, whose views have been appropriately reflected in this report.

2. Coordination with internal auditing services

8. The Board continues to coordinate the planning of its audit with the Office of Internal Oversight Services in order to avoid duplication of effort and to assess the extent to which reliance can be placed on its work.

3. Main recommendations

9. The Board's recommendations are that UNEP:

(a) **Strictly apply the provisions of the administrative instruction relating to travel costs or obtain new measures from the United Nations Secretariat if it is confirmed that the current provisions are inappropriate (para. 19);**

(b) **Monitor on a regular basis the level of its liquidity and the progress of its projects (para. 35);**

(c) **Set up the specific funding to balance in its accounts its liabilities for end-of-service and post-retirement benefits, particularly health insurance (para. 44);**

(d) **Disclose in its financial statements the resources it receives from the regular budget and the related expenditure (para. 50);**

(e) **Disclose all the advances paid to the implementing partners on the specific line in its financial statements and provide additional information in the notes (para. 53);**

(f) **Establish a working group for both the International Public Sector Accounting Standards and the enterprise resource planning system (para. 57);**

(g) **Review its service agreement with the United Nations Office at Nairobi (para. 62);**

(h) **Improve its internal control procedures in order to ensure that contributions are correctly recorded (para. 65);**

(i) **Continue to draw the attention of the parties to the multilateral environment agreements to the payment of the long-outstanding contributions or to their write-off (para. 72);**

(j) **Justify the amount of non-expendable property disclosed in the financial statements with the results of the physical inventory (para. 76);**

(k) **Look at options for reducing the manual processing of financial statements to a minimum (para. 83).**

B. Detailed findings and recommendations

1. Follow-up of previous recommendations

10. In compliance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board reviewed the actions taken by UNEP to implement the recommendations made in its report for the biennium ended 31 December 2005.

11. Of the 27 recommendations made, 18 (66.6 per cent) were fully implemented, 7 (26 per cent) were partially implemented and 2 (7.4 per cent) were not implemented (see annex).

(a) Recommendations partially implemented

12. The 7 partially implemented recommendations related to gender parity, the evaluation of the programmes of the Regional Office for Europe, human resources management in the Regional Office for Latin America and the Caribbean (3 recommendations), monitoring the implementation of the programmes at headquarters and collection of long-outstanding receivables.

13. In resolution 61/244 of 22 December 2006, the General Assembly once again brought up the subject of achieving the goal of gender parity in the Secretariat. At UNEP, women at the Professional level comprised 39.3 per cent of staff as at 1 May 2007. The Board will continue to monitor the evolution of this ratio.

14. During the audit undertaken at the Regional Office in Geneva in July 2007, the Board checked that the Office, as recommended in 2006, had made quarterly reports on its operations so that its results could be assessed. The Board noticed that none of the progress reports examined was based on indicators with a quantifiable impact.

15. The Board also noticed that no report was made on most of the projects monitored by UNEP headquarters or that reports were produced late. These deficiencies have not been completely rectified.

16. The Board had recommended that UNEP continuously pursue its efforts to collect long-outstanding voluntary contributions receivable and to bring to the attention of the Conference of the Parties the need to write off such long-outstanding receivables. UNEP produced evidence of efforts made to invoice for outstanding contributions and to bring to the attention of the parties the need to write off the long-outstanding receivables. However, the Board noted that this situation continued, and it therefore reiterates its recommendation in this regard (see para. 72).

(b) Recommendations not implemented

17. The two recommendations not implemented related to the implementation of the rule stating that expense sheets for staff reimbursements should be submitted within two weeks after the journey has been completed and to the existence of discrepancies between the value of the equipment listed in the inventory and their value in the financial statements.

18. The Board had recommended to the Administration, which had agreed: (a) to apply strictly the provisions of administrative instruction ST/AI/2000/20, whereby completed travel reimbursement claims should be submitted within two calendar

weeks after completion of travel, and recovery of travel advances through payroll deduction initiated when advances are not reconciled within the time limit laid down; and (b) to limit cash advances to the amount stipulated in the instruction. The Administration has not implemented this recommendation, putting forward the practical difficulty in reducing the time limit to less than 60 days. It was noted that the aforementioned instruction has been extended by administrative instruction ST/AI/2006/4 and Amend.1.

19. **UNEP agreed with the Board's recommendation that it strictly apply the provisions of the administrative instruction relating to travel costs or obtain new measures from the United Nations Secretariat if it is confirmed that the current provisions are inappropriate.**

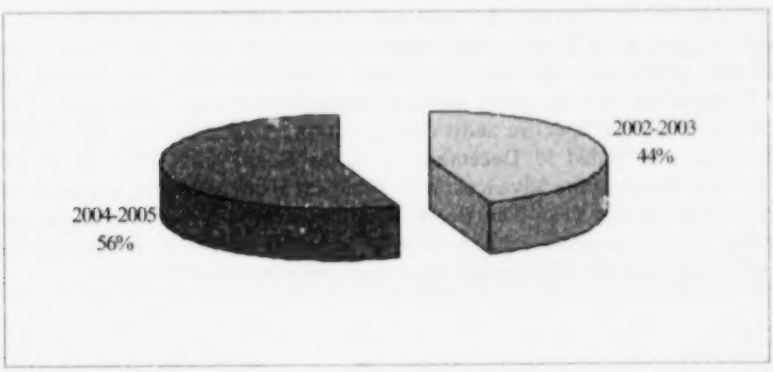
20. The Board of Auditors had drawn the attention of UNEP to the conflict between the amount of $11.2 million given to non-expendable property in note 8 to the 2004-2005 financial statements and the amount of $1.2 million indicated in the inventory report. UNEP explained that this difference arose because the financial statements were based on the historical cost of the assets, while the inventory report listed their commercial value. In its inventory report for the 2006-2007 biennium, UNEP adjusted the entry value in the asset register to that of the financial statements. The Board is concerned that no evidence was provided to support the relevance of this adjustment. Consequently, the Board has made a new recommendation in this regard (see para. 76).

(c) Ageing of previous recommendations

21. The Board also evaluated the ageing of its recommendations for the previous biennium that were partially implemented or not yet implemented, as requested by the Advisory Committee on Administrative and Budgetary Questions (A/59/736, para. 8). The financial periods in which such recommendations were first made are indicated in the annex to the present report.

22. Of the seven partially implemented and the two unimplemented recommendations, five relate to the 2004-2005 financial period and four to 2002-2003, 56 per cent and 44 per cent, respectively (see figure II.I).

Figure II.I
Ageing of recommendations for the biennium 2002-2003 and 2004-2005 that have been only partially implemented or have not been implemented



2. General presentation

23. By its resolution 2997 (XXVII) of 15 December 1972, the General Assembly established UNEP, with the Governing Council as its deliberative body and a secretariat responsible for centralizing environmental operations and for achieving cooperation in that field among the various United Nations bodies. The activities of UNEP generally tend towards the formation of partnerships to protect the environment by inspiring and informing countries and giving them the means to improve the living standards of their populations without compromising those of future generations. UNEP also hosts the secretariat of a number of multilateral environmental agreements.

24. As at 31 December 2007, UNEP, including the Global Environment Facility (GEF), had 973 posts, 553 of which were posts at the Professional level and 420 were in the General Service category. Total UNEP expenditure for the financial period 2006-2007 amounted to $541.8 million. Personnel of the UNEP division which manages the four GEF accounts allocated to UNEP occupied 116 budgetary posts.

25. Even though they have separate mandates, the United Nations Office at Nairobi and UNEP are interdependent and their management is integrated. In addition to its own budget, the Budget and Financial Management Service at the United Nations Office at Nairobi monitors the regular budget and UNEP extrabudgetary funds. It provides the administrative and financial services for UNEP. For this reason, most of the recommendations made to UNEP should be implemented in collaboration with the United Nations Office at Nairobi.

3. Global Environment Facility

26. UNEP is involved in GEF, a programme for funding the activities undertaken in developing countries to protect the environment through donations or soft loans. Created in 1991 jointly by UNEP, the United Nations Development Programme (UNDP) and the World Bank, this programme relies on funds provided by the World Bank and on voluntary contributions from 176 Member States. The Facility is the designated financial mechanism for the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity, the Stockholm Convention on Persistent Organic Pollutants and the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa. The programmes supported by GEF are implemented by the three partners, UNEP, UNDP and the World Bank, each in its own area of competence. The adoption and evaluation of GEF programmes are the responsibility of the GEF Council. UNEP manages the GEF funds allocated to it as an implementing partner through four trust funds. These four trust funds are part of the UNEP financial statements, within the trust funds for technical cooperation. The Board provides an annual specific audit opinion on the GEF financial statements. For the financial year ended 31 December 2006, the Board drew attention to the delays in the liquidation of the advances, with some advances reflecting expenditure for periods exceeding one year. The Board therefore expresses concern about the administration of the projects related to these advances paid to implementing partners and the consequent delay in the reporting of expenditure.

4. Secretariat of the Convention on Biological Diversity

27. The Convention on Biological Diversity was negotiated under the auspices of UNEP and entered in force in December 1993. As of June 2007, 189 States and the European Union were parties to the Convention. Its structure consists of a permanent secretariat, a governing body, the Conference of the Parties and the financial mechanism, GEF.

28. The Board has audited separately the financial statements of the secretariat of the Convention and issued a separate report with a qualified opinion. The qualifications relate to: (a) the non-submission of the statement of cash flows, and the notes to the financial statements as required by paragraph 7 of the United Nations system accounting standards; (b) the non-disclosure of the end-of-service liabilities on the face of the financial statements, as required by the General Assembly in resolutions 60/255 of 8 May 2006 and 61/264; and (c) the reporting of the unused balance of $418,292 relating to the Trust Fund for the Establishment of the Interim Secretariat of the Convention on Biological Diversity as a surplus, instead of a liability.

5. Financial overview

29. The UNEP financial statements I to IX include the following: the Environment Fund; the general trust funds; the trust funds for technical cooperation, including the income and expenditure of GEF; the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer; and other trust funds.

30. The financial statement (statement IX) of the Multilateral Fund, of which UNEP is Treasurer, is separate from the other UNEP financial statements and is submitted to the Executive Committee of the Multilateral Fund.

31. As shown in table II.1, the Multilateral Fund recorded a net current deficit of $37.7 million for the financial period 2006-2007, while for 2004-2005 the deficit amounted to $44.6 million. Nevertheless, the financial statements of the Fund showed a positive total reserves and fund balances of $480.5 million as at 31 December 2007.

Table II.1
Multilateral Fund
(Millions of United States dollars)

	2004-2005	*2006-2007*
Income	294.5	311.8
Expenditure	339.1	349.5
Surplus or deficit	(44.6)	(37.7)
Assets	523.8	488.5
Liabilities	8.6	8.0
Total reserves and fund balances	**515.2**	**480.5**

Key financial ratios[1]

32. The indicators in table II.2 show a healthy financial situation. In particular, they reveal a high level of liquidity.

Table II.2
Ratios of key financial indicators

Ratio	*2005*	*2007*	*Dividend and ratio divider for 2007*[a]
Outstanding voluntary contributions/total assets[b]	0.050	0.046	20801/443810
Cash/total assets[c]	0.63	0.65	290546/443810
Cash/liabilities[d]	1.69	1.41	290546/206402
Unliquidated obligations /total liabilities[e]	0.32	0.22	46153/206402

[a] Millions of United States dollars.
[b] A low indicator reflects a healthy financial position.
[c] A high indicator reflects a healthy financial position.
[d] A low indicator means that insufficient cash is available to settle debts.
[e] A low indicator means that the entity is liquidating its obligations.

33. The high level of cash could be partially explained by the financial rules which govern expenditure from the general trust funds and the technical cooperation trust funds. In application of the relevant procedures (ST/AI/284, annex, sect. III.A, para. 1, and ST/AI/285, annex, sect. IV.B), expenditure can be made from a trust fund only if the fund from which payment is to be made has been paid beforehand. Consequently, UNEP had substantial cash flows, the result of the interval between the collection of the contributions and their use (see table II.3).

Table II.3
Comparison of contributions, expenditure and cash, 2002-2003 to 2006-2007
(Millions of United States dollars)

		2004-2005		*2006-2007*	
Line items	*2002-2003*	*Amount*	*Change (percentage)*	*Amount*	*Change (percentage)*
Voluntary contributions	406.8	505.5	+24.2	545.8	+8
Expenditure	374.5	510.5	+36.3	541.8	+6.1
Cash	237.4	244.7	+3.0	290.5	+18.7

34. UNEP did not have a dashboard for the permanent, or at least monthly, monitoring of the level of its liquidity in view of the inflow of contributions and the outflows as projects advance. This tool should show the average time for conducting projects in relation to the date of payment of the contributions that finance them. Such a tool would assist in taking action in the case of an abnormal delay in respect of specific projects. The installation of a new enterprise resource planning system,

[1] Unless otherwise indicated, the financial analyses in the present report do not include the Multilateral Fund.

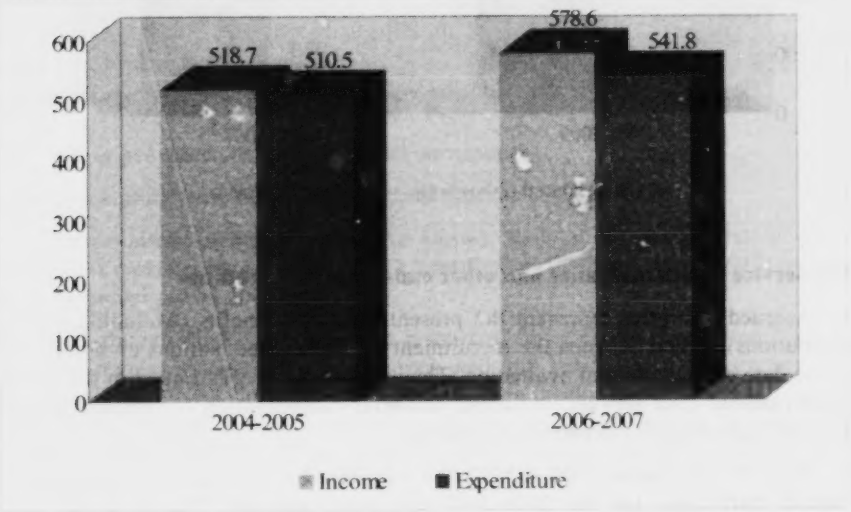
as decided by the United Nations, would be an opportunity to set up the indicators for this dashboard.

35. **UNEP agreed with the Board's recommendation that it monitor on a regular basis the level of its liquidity and the progress of its projects.**

6. Statement of income and expenditure

36. Total income for the period under review amounted to $578.6 million and total expenditure to $541.8 million. As a result, there was a gross surplus of $36.8 million, an increase of $28.5 million compared with the preceding period. The figures corresponding to the financial periods 2004-2005 and 2006-2007 are given in figure II.II.

Figure II.II
Comparison of income and expenditure, 2004-2005 and 2006-2007
(Millions of United States dollars)



37. The main reasons for the increase in income ($59.8 million, or 11.5 per cent) were the increase in voluntary contributions (8 per cent, or an additional $40.3 million) and the revenue generated by bank interest (135 per cent, or an additional $12.5 million), a consequence of the increase in interest rates and in the average amount invested.

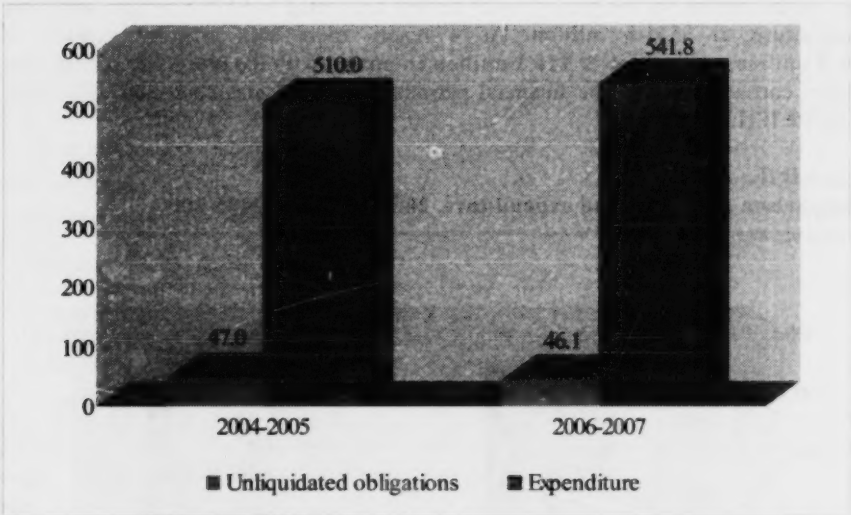
38. However, the entry of non-budgeted accrued expenses of $40.6 million for end-of-service liabilities into the accounts led to a net deficit of $5.5 million for the biennium (after prior year adjustment).

7. Statement of assets, liabilities, reserves and fund balances

39. As at 31 December 2007, the amount of unliquidated obligations amounted to $46.1 million, or 8.5 per cent of total expenditure, and despite the increase in expenditure, recorded a decrease of 1.9 per cent compared with the preceding

biennium. In figure II.III, the unliquidated obligations are compared with total expenditure for the bienniums 2004-2005 and 2006-2007.

Figure II.III
Unliquidated obligations as against total expenditure, 2004-2005 and 2006-2007
(Millions of United States dollars)



8. After-service health insurance and other end-of-service liabilities

40. Accrued liabilities represent the present value of benefits (excluding retiree contributions) earned between the recruitment date of United Nations civil servants and the date of the actuarial evaluation. They comprise benefits linked to the status of international civil servant, including financial compensation for unused annual leave and end-of-service repatriation benefits.

41. As at 31 December 2007, UNEP had introduced a new liability item into its financial statements for the 2006-2007 biennium, entitled "End-of-service and post-retirement benefits", estimated at $59,367,000 as at that date. As requested by the General Assembly in resolution 61/264, the Board has validated the after-service health insurance liabilities disclosed in the financial statements. This was achieved through reliance on the external actuarial valuation of 31 December and the Board's own procedures.

42. Accrued liabilities under after-service health insurance were estimated as at 31 December 2007 and stood at a net $38,145,000, while accrued liabilities under unused annual leave and repatriation benefits and connected expenses were estimated by UNEP at $12,736,000 for unused vacations days and $8,486,000 for repatriation benefits (see table II.4).

Table II.4
Estimated end-of-service liabilities as at 31 December 2007
(Thousands of United States dollars)

Accrued liabilities	*Environment Fund*	*Trust funds*	*Total*
After-service health insurance	2 318	35 827	38 145
Unused vacation days	4 769	7 967	12 736
Repatriation benefits	3 841	4 645	8 486
Total	**10 928**	**48 439**	**59 367**

Source: Note 12 to the financial statements.

43. The Board noted that the provisions for end-of-service liabilities, including after-service health insurance, had not been funded and that proper funding has to be set up.

44. **UNEP agreed with the Board's recommendation that it set up specific funding to balance in its accounts its liabilities for end-of-service and post-retirement benefits, particularly health insurance.**

9. Information provided with the financial statements

Income stemming from the United Nations regular budget

45. The resources stemming from the United Nations regular budget to cover certain UNEP expenditure amounted $12.5 million, or 2.1 per cent of UNEP income for the financial period 2006-2007.

46. Even though UNEP managed the resources allocated by the United Nations from the regular budget, these resources and the related expenditure are not disclosed in the UNEP financial statements, but are disclosed only in statement IV of the United Nations financial statements which reports the appropriations set up for the various sections of the Organization's budget, including section 14, Environment.

47. As a result, budgets examined by the Governing Council of UNEP showed a total amount of resources that included those from the United Nations regular budget, while the UNEP financial statements reported a total amount of resources that did not include those from the regular budget. There was therefore a discrepancy between the presentation of the resources to the Governing Council and the report on their use established by the financial statements.

48. The lack of any recording of the resources of the regular budget and of the related expenditure in the UNEP financial statements did not appear to comply with the principle laid down in paragraph 5 (iii) of the United Nations system accounting standards, which states that financial statements should disclose all items which are material enough to affect evaluations or decisions and all material information which is necessary to make the statements clear and understandable.

49. Note 2 (j) to the UNEP financial statements states that:

> "The regular budget of the United Nations meets part of the costs of the secretariat of the United Nations Environment Programme ... Details of the expenditure may be found in the financial report and of the audited financial statements of the United Nations. They are not considered further in the present report."

This note does not allow the reader to know the amount of the regular resources available to UNEP.

50. **UNEP agreed with the Board's recommendation that it disclose in its financial statements the resources it receives from the regular budget and the related expenditure.**

Receivables

51. The amount of receivables was stable compared with 2005 ($75.4 million as against $75.1 million in 2005).[2] Basically, they concerned the technical cooperation trust funds ($50.3 million), in particular those of GEF ($42.5 million), the general trust funds ($11.8 million, or 7.8 per cent of income for the biennium 2006-2007) and the earmarked contributions ($10.4 million, or 15.3 per cent of income for the biennium 2006-2007).

52. Advances to the implementing partners represented the major part of the receivables. For the GEF funds alone, they amounted to $39.2 million, more than 92 per cent of total GEF receivables which amounted to $42.5 million. However, with the exception of the Environment Fund, these advances were not reported in the financial statements in the line specific to advances provided to implementing partners, but incorporated in the total amount of other receivables.

53. **UNEP agreed with the Board's recommendation that it disclose all advances paid to the implementing partners on the specific line in its financial statements and provide additional information in the notes.**

10. Preparation for the adoption of the International Public Sector Accounting Standards

54. Pursuant to General Assembly resolution 61/233 A, and following the observations made by the Advisory Committee on Administrative and Budgetary Questions in its report (see A/61/350), the Board reviewed the preparation for the adoption of the International Public Sector Accounting Standards and the implementation of the enterprise resource planning system. The Advisory Committee had pointed out that these systems should be designed to take full account of the Standards.

55. Relying on the task force established to prepare for the adoption of the Standards by the United Nations system, UNEP had not yet finalized any plan or adopted a budget to address its specific needs with respect to the Standards and the related issue of the enterprise resource planning system.

[2] The comparisons are made with the restated 2005 balances, as reported in notes 4 and 7 to the financial statements for 2006-2007.

56. The lack of preparation by UNEP for the adoption of the Standards, risks problems at a subsequent stage, for example, in the application of software or the inadequate training of staff.

57. **UNEP agreed with the Board's recommendation that, in conjunction with the United Nations Human Settlements Programme (UN-Habitat) and the United Nations Office at Nairobi, it establish a working group for both the International Public Sector Accounting Standards and the enterprise resource planning system.**

11. Financial and accounting functions

58. Since 1998, the United Nations Office at Nairobi has been providing UNEP with financial and accounting management services. The corresponding items in the Budget and Financial Management Service of the Office were financed from UNEP extrabudgetary funds, in accordance with service arrangements.

59. After further examination of these arrangements, UNEP concluded that to make the management of these activities more efficient, the budget and accounting functions should assigned to its own administrative service. Consequently, the financial management section and all of the related extrabudgetary resources (i.e., 28 extrabudgetary items and 17 local-level General Service posts) were transferred in 2007 to the UNEP office.

60. Budget management consists of preparing the budgets, incurring the expenditure and certifying it. According to rule 105.5 of the Financial Regulations and Rules of the United Nations, certification consists of managing the use of resources, including posts, in accordance with the purposes for which those resources were approved. UNEP and the United Nations Office at Nairobi agreed that the function of certifying UNEP administrative expenditure, a key element in the budget management function, would be transferred to UNEP on 1 January 2008. At the date of the Board's audit (April 2008), no certifying official had been appointed from among UNEP personnel to authorize the administrative expenditure for UNEP, despite the transfer of posts. Consequently, the work was carried out by an official at the United Nations Office at Nairobi.

61. There were some inaccuracies inherent in this transfer. In 2006, UNEP set up a task force, and subsequently a strategic team, to implement administrative improvements, one of which was the transfer to UNEP of the financial duties that the United Nations Office at Nairobi carried out on its behalf. Although this process was begun in 2006, the exact nature and the scope of the tasks transferred to UNEP were not clearly specified. The decision to transfer the financial tasks was taken on the basis of a strategic note providing for the transfer of posts, but with no precise definition of the scope of the tasks to be transferred. UNEP was not able to submit to the Board a precisely detailed list of those tasks. Similarly, before the decision was taken, no study was made of the financial implications of the transfer of certain financial skills, particularly in terms of additional costs compared to the previous organizational arrangement. Finally, the service agreement between UNEP and the United Nations Office at Nairobi was not modified after the transfers were begun.

62. **UNEP agreed with the Board's recommendation that it review its service agreement with the United Nations Office at Nairobi.**

12. Management of contributions

Contributions paid in advance

63. As at 31 December 2007, contributions paid in advance amounted to $17.6 million, 3.2 per cent of the total $545.7 million paid during the 2006-2007 biennium. Although modest, this amount was a significant increase over that of the preceding biennium (+131 per cent). More than 67 per cent of the contributions paid in advance related to the Environment Fund.

64. The contributions of $154,633 paid by Denmark in 2007 had all been considered as paid in advance for the year 2008. A portion of the payments should have been recorded as pledges for 2006 and 2007; thus, the amount paid in advance for 2008 only amounted to $78,946.

65. **UNEP agreed with the Board's recommendation that it improve its internal control procedures in order to ensure that contributions are correctly recorded.**

Contributions receivable (including the Multilateral Fund)

66. On 31 December 2007, contributions receivable represented $2.3 million for the Environment Fund and $18.5 million for all general trust funds (see table II.5).

Table II.5
Comparison of voluntary contributions, including outstanding contributions, 2002-2003 to 2006-2007

(Thousands of United States dollars and percentage)

	2003	*2005*	*2007*	*Variation 2007/2005 (percentage)*	*Variation 2005/2003 (percentage)*
All UNEP funds (including GEF)					
Total voluntary contributions	406 789	505 476	545 768	8	24
Contributions receivable	21 806	19 357	20 801	7	-11
Portion of contributions outstanding at the end of the period (percentage)	5.36	3.83	3.81		
Multilateral Fund for the Implementation of the Montreal Protocol (statement IX)					
Total voluntary contributions	283 822	264 606	257 648	-3	-7
Contributions receivable	163 567	165 179	173 751	5	1
Portion of contributions outstanding at the end of the period (percentage)	57.63	62.42	67.44		

67. For funds under multilateral environmental agreements, note 2, paragraph (k) (i), to the financial statements provides for the possibility of recording income on the basis of a written commitment from States to pay monetary contributions at specified times. This was the case with the Multilateral Fund for the Implementation of the Montreal Protocol.

68. Certain States did not make payments in accordance with their pledges, hence the still outstanding contributions of $18.5 million. Even though this amount is low in relation to all of the funds managed by UNEP, it nevertheless represents 16.3 per cent of the total in the trust funds.

69. The Board studied a sample of the outstanding contributions to these funds amounting to $8.9 million, 48 per cent of the total. The examination of the invoices showed that, despite regular reminders sent out by UNEP, a majority (15 of 18) had been outstanding since at least 2000 and some since the end of the 1980s, although most of the States continued to pledge new contributions each year.

70. These long-outstanding contributions were due to the existence of a specific rule applying to funds under multilateral agreements, as explained in paragraph (k) (i) of note 2 to the financial statements. According to this rule, pledges made under multilateral agreements, comprising an appropriation approved by the parties, are written off with the said parties' approval, contrary to announcements of contributions to the Environment Fund, which are written off after four years. The parties to the various agreements did not wish to implement this procedure, despite repeated attempts to draw their attention to it.

71. Even though the Controller explicitly approved this exception to the general rule, the result was that the clarity of the financial statements was reduced, since included in their income, as well as in their assets, were amounts which corresponded to doubtful receivables that in the end, may be impossible to collect. It led moreover to unnecessary management costs related to follow-up and to the reminders sent out regularly by the UNEP services. The Board is of the view that it would be appropriate to make provision for the long-outstanding contributions.

72. **UNEP agreed with the Board's recommendation that it continue to draw the attention of the parties to the payment of long-outstanding contributions or to their write-off.**

13. Non-expendable property

73. Non-expendable property consists of property and equipment valued at $1,500 or more per unit at the time of purchase and with a serviceable life of five years or more. As disclosed in note 13 to the financial statements, the value of non-expendable property as at 31 December 2007 amounted to $17.5 million, a decrease of 6.3 per cent compared with the $18.7 million for the previous biennium. These amounts include the non-expendable property located at the Nairobi headquarters, as well as that belonging to the regional and field offices.

74. In its previous report, the Board had expressed concern about the conflict between the amount of $11.2 million of non-expendable property retained at UNEP headquarters in Nairobi, as disclosed in note 8 to the financial statements for the biennium 2004-2005, and the related amount in the inventory report ($1.2 million). UNEP explained that the difference was due to the fact that the financial statements were based on the historical cost of the assets while the inventory report listed their commercial value.

75. In its inventory report for 2006-2007, UNEP took the amount of $11,218,000 as the starting value of non-expendable property at its headquarters in Nairobi, which corresponded to the value at the end of the preceding financial period shown in the financial statements and not to the one in the inventory report. In addition, the

Board was unable to corroborate the amount of non-expendable property at the end of the 2006-2007 financial period with the results of the physical inventory or by means of the asset database. An external company was contacted to undertake a comprehensive physical inventory with the purpose of finalizing it during the first quarter of 2008, but the post-election crisis in Nairobi had delayed it. As at 3 July 2008, the records were being reconciled and the process was expected to be finalized soon.

76. **UNEP agreed with the Board's recommendation that it justify the amount of non-expendable property disclosed in the financial statements with the results of the physical inventory.**

14. Enterprise resources planning system

77. During the various audits carried out during the 2006-2007 biennium, the Board noticed that the procedure for producing the financial statements showed some weaknesses.

78. The accounts management system in the Integrated Management Information System (IMIS) did not enable the UNEP financial statements to be produced automatically. To overcome this deficiency, a special module, known as Crystal, was used by the United Nations Office at Nairobi to extract the account balances required to produce the financial statements, in particular the trial balances of accounts by fund.

79. Once Crystal had extracted the data, the accounts service at the Office transposed them into spreadsheets. To obtain all data required to analyse the financial statements (i.e., general balance, balance by fund, details of expenditure and income, obligations and contributions) the accounts service made several different extracts using Crystal. The service then reprocessed the data exported from Crystal to files so that they could be put into the form required for the financial statements.

80. The system entailed time limits and risk of errors linked to the manual operations. The production of the financial statements from the data extracted from the accounting system required four stages, two of which were not automated.

81. This insufficient automation was also highlighted by the manual export and reprocessing operations required to transfer the balance accounts, held by account number according to the accounting chart of IMIS, to the balances reported in the financial statements, which are kept according to the nature of the operation.

82. Hence, the contributions recorded in the income statement as income did not directly appear in the account balance ledger for each fund, which recorded all of the income in account 5110 without distinction. In fact, there was no subaccount that would make it possible to distinguish among the various categories of income in the balance ledger. The record of the various types of income in the financial statements was therefore made by reprocessing transactions, fund by fund.

83. **UNEP agreed with the Board's recommendation that it look at options for reducing manual processing to a minimum.**

15. Internal audit

84. UNEP was the subject of five internal audits by the Office of Internal Oversight Services in 2006 and 2007, of: the secretariat of the Convention on Biological Diversity; the secretariat's information systems; the Division of Environmental Law and Conventions; the budget arrangements for the Convention on the Conservation of Migratory Species of Wild Animals; and the financial management at headquarters.

85. With regard to the audit report on financial management, the Board shared the concern of the Office of Internal Oversight Services about the process for transferring the financial functions from the United Nations Office at Nairobi to UNEP.

16. Write-offs and disposals

86. In accordance with regulation 6.4 of the Financial Regulations and Rules, the Administration informed the Board that $52,216 had been written off in respect of accounts receivable.

17. Ex gratia payments

87. As required by rule 105.12 of the Financial Regulations and Rules, the Administration reported that UNEP had made no ex gratia payment during the 2006-2007 biennium.

18. Case of fraud or presumptive fraud

88. The Administration informed the Board that there had been one case of attempted fraud, in the amount of €895.66, during the period under review. This case was pursued in a disciplinary procedure, resulting in the summary dismissal of the staff member.

C. Acknowledgements

89. The Board of Auditors wishes to express its thanks to the Executive Director of UNEP and his staff for the assistance provided to its teams and for their spirit of cooperation.

(*Signed*) Philippe **Séguin**
First President, Court of Accounts of France
Chairman, United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Reynaldo A. **Villar**
Chairman, Audit Commission of the Philippines

(*Signed*) Terence **Nombembe**
Auditor-General, Republic of South Africa

30 June 2008

Annex

Status of implementation of recommendations issued by the Board for the biennium ended 31 December 2005[a]

	Subject	*Paragraph reference*[b]	*First reported*	*Fully implemented*	*Partially implemented*	*Not implemented*	*Obsolete*
1.	Review outstanding pledges	21	2002-2003	×			
2.	Enter payments in the Integrated Accounting and Budgeting System	24	2004-2005	×			
3.	Write off long-outstanding contributions	29	2002-2003		×		
4.	Travel reimbursements	35	2002-2003			×	
5.	Appropriations for travelling	37	2004-2005	×			
6.	Correction of financial statements	42	2004-2005	×			
7.	Stay within the allocated budgets	46	2004-2005	×			
8.	Technical Cooperation Trust Fund cost overruns	50	2004-2005	×			
9.	Appropriate budgetary control	55	2004-2005	×			
10.	Designation of the cashier	58	2004-2005	×			
11.	Official receipts	61	2004-2005	×			
12.	Records of receipts	64	2004-2005	×			
13.	Quarterly reports	71	2002-2003		×		
14.	Compliance with paragraph 50 of the United Nations System Accounting Standards	74	2002-2003			×	
15.	Management of non-expendable assets	87	2002-2003	×			
16.	Consultants	92	2002-2003	×			
17.	Impact of training	97	2004-2005		×		
18.	Electronic performance appraisal system (e-PAS)	101	2004-2005		×		
19.	Recruitment	105	2004-2005		×		
20.	Gender parity	110	2004-2005		×		
21.	Closure of inactive funds	113	2004-2005	×			
22.	Approval of projects	115	2004-2005	×			
23.	Reports by implementing partners	120	2004-2005		×		
24.	Compliance with the project manual	123	2004-2005	×			
25.	Purchasing plan	126	2004-2005	×			
26.	Renewal of the agreement protocol	133	2004-2005	×			
27.	Duplicate payments and delays	136	2004-2005	×			
	Total recommendations			**18**	**7**	**2**	
	Percentage			**66.6**	**26**	**7.4**	

[a] See A/61/5/Add.6, chap. II.

Chapter III
Audit opinion

We have audited the financial statements of the United Nations Environment Programme for the biennium ended 31 December 2007, comprising statements numbered I to IX, schedules 4.1, 7.1 and 9.1 and the supporting notes. These financial statements are the responsibility of the Executive Director of the Programme. Our responsibility is to express an opinion on these financial statements on the basis of our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by Executive Director, as well as evaluating the overall financial statements presentation. We consider that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Environment Programme as at 31 December 2007, and the results of its operations and its cash flows for the period then ended, in accordance with the United Nations system accounting standards.

Without qualifying our opinions expressed above, we draw attention to: note 13 to the financial statements, which states that, at the end of the 2006-2007 financial period, the Programme's non-expendable property amounted to $17.5 million. Owing to exceptional circumstances, the results of the physical inventory to corroborate this amount were not fully available at the date of the audit.

Furthermore, in our opinion, the transactions of the United Nations Environment Programme that have come to our notice or that we have tested as part of our audit have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules, we have also issued a long-form report on our audit of the United Nations Environment Programme.

(*Signed*) Philippe **Séguin**
First President, Court of Accounts of France
Chairman, United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Reynaldo A. **Villar**
Chairman, Audit Commission of the Philippines

(*Signed*) Terence **Nombembe**
Auditor-General, Republic of South Africa

30 June 2008

Chapter IV
Certification of the financial statements

31 March 2008

The financial statements of the United Nations Environment Programme for the biennium ended 31 December 2007 have been prepared in accordance with financial rule 106.10 of the United Nations and financial rule 213.3 of the United Nations Environment Programme.

The significant accounting policies applied in the preparation of these statements are summarized in the notes to the financial statements. These notes also provide information on and clarifications of the financial activities undertaken by the organization during the biennium covered by these statements for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations Environment Programme, including the associated trust funds and other related accounts, numbered I to IX, are correct.

(*Signed*) David G. **Hastie**
Chief Finance Officer, Budget and Financial Management Service
United Nations Office at Nairobi

Chapter V

Financial statements for the biennium ended 31 December 2007

Statement I

United Nations Environment Programme — all funds summary
Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

	Environment Fund	General trust funds	Technical cooperation trust funds	Professional Officers trust funds	Earmarked Contributions	Other	Special Account for Programme Support Costs	End-of-service and post-retirement benefits	All funds eliminations	Total all funds 2007	Total all funds 2005
Income											
Voluntary contributions	127 850	138 698	205 094	6 492	66 720	914	-	-	-	545 768	505 476
Income from services rendered	-	-	-	-	-	-	24 599	-	(23 936)	663	591
Interest income	5 710	7 246	7 202	438	768	17	321	-	-	21 702	9 224
Sale of publications	-	-	-	-	-	233	-	-	-	233	138
Miscellaneous income (note 3)	2 647	4 799	671	-	636	34	1 497	-	-	10 284	3 368
Total income	136 207	150 743	212 967	6 930	68 124	1 198	26 417	-	(23 936)	578 650	518 797
Expenditure											
Staff and other personnel costs	80 470	67 576	58 557	5 366	21 210	198	13 811	-	-	247 188	216 742
Contractual services	15 520	26 007	77 634	-	32 229	198	10 522	-	-	162 110	159 203
Travel	8 394	5 852	9 760	131	3 847	7	648	-	-	28 639	26 950
Operating expenses	13 375	21 450	35 209	5	11 486	195	218	-	-	81 938	84 979
Acquisitions	7 111	5 538	7 181	-	1 765	311	66	-	-	21 972	22 656
Programme support costs	-	15 408	5 140	659	2 729	-	-	-	(23 936)	-	-
Total expenditure	124 870	141 831	193 481	6 161	73 266	909	25 265	-	(23 936)	541 847	510 530
Excess/(shortfall) of income over expenditure	11 337	8 912	19 486	769	(5 142)	289	1 152	-	-	36 803	8 267
Non-budgeted accrued expenses for end-of-service and post-retirement benefits	-	-	-	-	-	-	-	(40 563)	-	(40 563)	-
Prior period adjustments (note 4)	(138)	(206)	296	(69)	(1 038)	-	(615)	-	-	(1 770)	(14 926)
Net excess/(shortfall) of income over expenditure	11 199	8 706	19 782	700	(6 180)	289	537	(40 563)	-	(5 530)	(6 659)
Savings on or cancellation of prior periods obligations	131	-	115	-	2	1	69	-	-	318	636
Transfer from/(to) other funds	19	143	206	-	53	-	(418)	-	-	3	-
Refunds to donors	-	(888)	(286)	(490)	(97)	-	-	-	-	(1 761)	(988)
Transfer from/(to) financial reserve/ Endowment Fund	(5 000)	(2 198)	-	-	-	-	(500)	-	-	(7 698)	(1 263)
Fund balances, beginning of period	5 067	69 293	115 112	4 337	37 187	(63)	6 800	(11 133)	-	226 600	234 872
Fund balances, end of period	11 416	75 056	134 929	4 547	30 965	227	6 488	(51 696)	-	211 932	226 600

Statement I

United Nations Environment Programme — all funds summary
Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

	Environment Fund	General trust funds	Technical cooperation trust funds	Professional Officers trust funds	Earmarked Contributions	Other	Special Account for Programme Support Costs	End-of-service and post-retirement benefits	All funds eliminations	Total all funds	
										2007	2005
Financial reserve/Endowment Fund, beginning of period	10 000	2 806	-	-	-	-	2 000	-	-	14 806	13 543
Financial reserve/Endowment Fund, end of period	15 000	5 006	-	-	-	-	2 500	2 970	-	25 476	14 806

Statement II

United Nations Environment Programme — all funds summary
Statement of assets, liabilities, reserves and fund balances as at 31 December 2007
(Thousands of United States dollars)

	Environment Fund	General trust funds	Technical cooperation trust funds	Professional Officers trust funds	Earmarked contributions	Other	Special Account for Programme Support Costs	End-of-service and post-retirement benefits	All funds eliminations	Total all funds 2007	Total all funds 2005
Assets											
Cash and term deposits (note 5)	16 883	18 109	-	-	2	38	-	-	-	35 032	16 612
Cash pool — euro (note 5)	-	16 547	7 816	-	8 698	-	5 213	-	-	38 274	10 024
Cash pool — United States dollars (note 5)	34 437	53 501	86 856	4 990	33 625	260	3 571	-	-	217 240	218 071
Advances provided to implementing agencies (note 6)	1 109	-	-	-	-	-	-	-	-	1 109	959
Voluntary contributions receivable	2 267	18 534	-	-	-	-	-	-	-	20 801	19 357
Inter-fund balances (note 7)	-	10 883	25 198	182	3 350	181	2 541	10 641	-	52 976	44 152
Other receivables (note 8)	2 747	11 860	50 318	26	10 444	23	37	-	-	75 455	75 125
Other assets (note 9)	570	621	268	10	722	-	732	-	-	2 923	1 680
Total assets	58 013	130 055	170 456	5 208	56 841	502	12 094	10 641	-	443 810	385 980
Liabilities											
Payments or contributions received in advance	11 888	5 588	-	-	153	-	-	-	-	17 629	7 647
Advances provided by implementing agencies	699	-	-	-	-	-	-	-	-	699	513
Unliquidated obligations	8 910	11 358	14 825	41	10 110	73	836	-	-	46 153	47 045
Inter-fund balances (note 7)	4 860	28 431	11 225	595	8 718	202	-	-	-	54 031	41 664
Accounts payable (note 10)	2 946	4 616	9 477	25	6 895	-	2 270	-	-	26 229	29 848
End-of-service and post-retirement benefits (note 12)	-	-	-	-	-	-	-	59 367	-	59 367	17 463
Other liabilities	2 294	-	-	-	-	-	-	-	-	2 294	396
Total liabilities	31 597	49 993	35 527	661	25 876	275	3 106	59 367	-	206 402	144 576
Reserves and fund balances											
Financial and other reserves (note 11)	15 000	5 006	-	-	-	-	2 500	2 970	-	25 476	14 806
Fund balance	11 416	75 056	134 929	4 547	30 965	227	6 488	(51 696)	-	211 932	226 593
Total reserves and fund balances	26 416	80 062	134 929	4 547	30 965	227	8 988	(48 726)	-	237 408	241 404
Total liabilities, reserves and fund balances	58 013	130 055	170 456	5 208	56 841	502	12 094	10 641	-	443 810	385 980

United Nations Environment Programme — all funds summary
Statement of cash flows for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

	Environment Fund	General trust funds	Technical cooperation trust funds	Professional Officers trust funds	Earmarked contributions	Other	Special Account for Programme Support Costs	End-of-service and post-retirement benefits	All funds eliminations	Total all funds 2007	Total all funds 2005
Cash flows from operating activities											
Net excess/(shortfall) of income over expenditure	11 199	8 706	19 782	700	(6 180)	289	537	(40 563)	-	(5 530)	4 474
(Increase)/decrease in:											
Contributions receivable	(1 030)	(414)	-	-	-	-	-	-	-	(1 444)	2 449
Advances provided to implementing agencies	36	-	-	-	-	-	-	-	-	36	265
Other accounts receivable	5 408	4	(148)	3	(5 595)	13	(17)	-	-	(332)	(10 180)
Other assets	86	(494)	(17)	2	(98)	-	(721)	-	-	(1 242)	(177)
Inter-fund balances	-	(5 661)	(9 367)	743	3 541	(74)	6 307	(4 311)	-	(8 822)	(10 354)
Increase/(decrease) in:											
Payments or contributions received in advance	10 764	(604)	-	-	49	-	(227)	-	-	9 982	5 692
Unliquidated obligations	(3 121)	2 190	(2 861)	(73)	2 606	60	307	-	-	(892)	11 866
Other accounts payable	(5 461)	(1 110)	(1 556)	(51)	2 424	(39)	2 178	-	-	(3 615)	4 472
Other liabilities	1 895	-	-	-	1	-	-	-	-	1 896	(851)
Inter-fund balances payable	2 403	(597)	5 932	(95)	4 677	47	-	-	-	12 367	-
End-of-service and post-retirement benefits	-	-	-					41 904	-	41 904	-
Less: interest income	(5 710)	(7 246)	(7 202)	(438)	(768)	(17)	(321)		-	(21 702)	(9 224)
Net cash from operating activities	16 469	(5 226)	4 563	791	657	279	8 043	(2 970)	-	22 606	(1 568)
Cash flows from investing activities											
(Increase)/decrease in cash pool — euros	-	(9 936)	(7 816)	-	(5 285)	-	(5 213)	-	-	(28 250)	(7 939)
(Increase)/decrease in cash pool — United States dollars	(10 378)	15 657	(4 551)	(739)	3 904	(259)	(2 802)	-	-	832	6 961
Plus: interest income	5 710	7 246	7 202	438	768	17	321	-	-	21 702	9 224
Net cash flow from investing activities	(4 668)	12 967	(5 165)	(301)	(613)	(242)	(7 694)	-	-	(5 716)	8 246

Statement III

United Nations Environment Programme — all funds summary
Statement of cash flows for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

	Environment Fund	General trust funds	Technical cooperation trust funds	Professional Officers trust funds	Earmarked contributions	Other	Special Account for Programme Support Costs	End-of-service and post-retirement benefits	All funds eliminations	Total all funds 2007	Total all funds 2005
Cash flows from financing activities											
Savings on or cancellation of prior period obligations	131	-	115	-	2	1	69	-	-	318	636
Transfer from/(to) other funds	19	143	206	-	53	-	(418)	-	-	3	-
Refunds to donors	-	(888)	(286)	(490)	(97)	-	-	-	-	(1 761)	(988)
Transfers from/(to) operating reserve/Endowment Fund	-	-	-	-	-	-	-	2 970	-	2 970	-
Net cash flow from financing activities	150	(745)	35	(490)	(42)	1	(349)	2 970	-	1 530	(352)
Net increase/(decrease) in cash and term deposits	11 951	6 996	(567)	-	2	38	-	-	-	18 420	6 221
Cash and term deposits, beginning of period	4 932	11 113	567	-	-	-	-	-	-	16 612	10 391
Cash and term deposits, end of period	16 883	18 109	-	-	2	38	-	-	-	35 032	16 612

Statement IV

Environment Fund

Statement of income and expenditure and changes in reserves and fund balances for the biennium 2006-2007 ended 31 December 2007 (Thousands of United States dollars)

		2007	2005
Income	Reference		
Voluntary contributions	Schedule 4.1	127 850	118 530
Interest income		5 710	1 626
Miscellaneous income	Note 3	2 647	1 095
Total income		136 207	121 251
Expenditure			
Staff and other personnel costs		80 470	70 422
Contractual services		15 520	23 188
Travel		8 394	8 102
Operating expenses		13 375	16 626
Acquisitions		7 111	7 967
Total expenditure		124 870	126 305
Excess/(shortfall) of income over expenditure		11 337	(5 054)
Transfer from/(to) United Nations Office at Nairobi and other funds		19	549
Prior period adjustments	Note 4	(138)	2 786
Net excess/(shortfall) of income over expenditure		11 218	(1 719)
Savings on or cancellation of prior period obligations		131	87
Transfer to operating reserve		(5 000)	-
Reserves and fund balances, beginning of period		5 067	6 699
Reserves and fund balances, end of period		11 416	5 067
Financial reserve, beginning of period		10 000	10 000
Transfer to operating reserve		5 000	-
Financial reserve, end of period		15 000	10 000

Statement of assets, liabilities, reserves and fund balances for the biennium 2006-2007 ended 31 December 2007

Assets			
Cash and term deposits	Note 5	16 883	4 932
Cash pool — United States dollars	Note 5	34 437	24 059
Advances provided to implementing agencies	Note 6	1 109	959
Accounts receivable:			
Voluntary contributions receivable	Schedule 4.1	2 267	1 237
Other	Note 8	2 747	8 155
Other assets	Note 9	570	656
Total assets		58 013	39 998

Liabilities			
Payments or contributions received in advance		11 888	1 124
Advances provided by implementing agencies		699	513
Unliquidated obligations	Statement V	8 910	12 031
Accounts payable:			
Inter-fund balances	Note 7	4 860	2 457
Other	Note 10	2 946	8 407
Other liabilities		2 294	399
Total liabilities		31 597	24 931
Reserves and fund balances			
Financial reserve		15 000	10 000
Fund balance		11 416	5 067
Total reserves and fund balances		26 416	15 067
Total liabilities, reserves and fund balances		58 013	39 998

Schedule 4.1

Environment Fund

Status of contributions for the biennium 2006-2007 ended 31 December 2007

(United States dollars)

Country/organization	Unpaid pledges as at 1 January 2006	Adjustments to prior years' pledges and receipts	Pledges for 2006-2007	Re-valuations	Net pledges	Collections for future years	Collections for 2006-2007 and prior years	Unpaid pledges for 2007 and prior years
Algeria	-	-	20 000	-	20 000	10 000	20 000	-
Andorra	-	-	68 293	-	68 293	-	68 293	-
Armenia	-	-	2 600	-	2 600	-	2 600	-
Australia	-	-	921 130	-	921 130	-	921 130	-
Austria	-	-	1 020 946	32	1 020 978	-	1 020 978	-
Azerbaijan	3 600	2 700	-	-	-	-	4 500	1 800
Bahrain	2 750	-	-	-	-	-	2 750	-
Bangladesh	-	-	5 100	-	5 100	-	2 550	2 550
Barbados	5 000	-	7 500	-	7 500	2 500	12 500	-
Belarus	-	-	13 500	-	13 500	-	13 500	-
Belize	-	-	700	-	700	760	700	-
Belgium	-	-	1 616 714	-	1 616 714	-	1 616 714	-
Benin	9 998	-	-	-	-	-	4 998	4 998
Bhutan	-	1 350	2 800	-	2 800	-	2 700	1 450
Burkina Faso	-	-	1 000	-	1 000	-	-	1 000
Burundi	-	700	700	-	700	-	1 400	-
Brazil	-	-	292 670	-	292 670	-	292 670	-
Brunei Darussalam	-	-	20 000	-	20 000	-	20 000	-
Bulgaria	-	-	13 800	-	13 800	-	13 800	-
Burundi	-	700	700	-	700	-	1 400	-
Cameroon	5 746	-	-	-	-	-	-	5 746
Canada	-	-	4 050 001	-	4 050 001	-	2 025 001	2 025 000
Cambodia	-	-	10 484	-	10 484	-	10 484	-
Cape Verde	1 200	-	-	-	-	-	-	1 200
Chile	-	-	40 000	-	40 000	-	40 000	-
China	-	-	500 000	-	500 000	-	500 000	-
Colombia	-	-	108 342	-	108 342	-	108 342	-
Côte d'Ivoire	7 200	-	-	-	-	-	3 600	3 600
Croatia	-	-	46 000	-	46 000	-	46 000	-
Cuba	6 000	6 000	-	-	-	-	6 000	6 000
Cyprus	15 000	-	44 000	-	44 000	-	59 000	-
Czech Republic	-	-	462 023	-	462 023	-	462 023	-
Denmark	-	-	5 484 700	-	5 484 700	-	5 484 700	-
Ecuador	-	-	3 000	-	3 000	-	3 000	-
Egypt	-	9 000	17 000	-	17 000	-	26 000	-
El Salvador	-	-	5 600	-	5 600	-	5 600	-
Ernst & Young LLP	-	-	930	-	930	-	930	-
Estonia	-	-	15 000	-	15 000	-	15 000	-
Ethiopia	-	-	1 000	-	1 000	-	1 000	-
Fiji	-	-	8 956	-	8 956	-	8 956	-
Finland	-	-	7 521 800	-	7 521 800	-	7 521 800	-
France	-	-	8 680 000	-	8 680 000	-	8 680 000	-
Gambia	1 000	-	-	-	-	-	-	1 000
Georgia	-	9 096	3 034	-	3 034	-	12 130	-
Germany	-	-	14 532 701	-	14 532 701	-	14 532 701	-
Ghana	-	10 000	10 000	-	10 000	-	20 000	-
Greece	175 000	-	400 000	-	400 000	-	575 000	-
Grenada	-	-	1 200	-	1 200	-	1 200	-
Guatemala	-	-	8 600	-	8 600	-	8 600	-
Guinea-Bissau	-	-	1 400	-	1 400	-	-	1 400
Haiti	-	-	2 467	-	2 467	-	2 467	-

Country/organization	Unpaid pledges as at 1 January 2006	Adjustments to prior years' pledges and receipts	Pledges for 2006-2007	Re-valuations	Net pledges	Collections for future years	Collections for 2006-2007 and prior years	Unpaid pledges for 2007 and prior years
HMX Corporate Communication Ltd.	-	-	930	-	930	-	930	-
Honduras	-	-	1 000	-	1 000	-	976	24
Hungary	-	-	162 000	-	162 000	100 000	162 000	-
Iceland	-	-	62 500	-	62 500	-	62 500	-
India	-	-	200 000	-	200 000	1 859	100 000	100 000
Indonesia	-	-	50 000	-	50 000	-	50 000	-
Iran (Islamic Republic of)	-	-	35 000	-	35 000	-	-	35 000
Ireland	-	-	1 431 652	-	1 431 652	-	1 431 652	-
Israel	-	-	40 000	-	40 000	-	40 000	-
Italy	-	-	4 122 900	-	4 122 900	11 632 000	4 122 900	-
Jamaica	3 500	-	3 196	-	3 196	-	3 100	3 596
Japan	-	-	5 984 005	-	5 984 005	-	5 984 005	-
Kazakhstan	-	-	10 000	-	10 000	-	10 000	-
Kenya	-	31 130	62 067	-	62 067	-	93 197	-
Kyrgyzstan	-	-	1 200	-	1 200	-	1 200	-
Republic of Korea	-	-	300 000	-	300 000	-	300 000	-
Democratic People's Republic of Korea	-	-	717	-	717	-	717	-
Kuwait	200 000	-	400 000	-	400 000	-	600 000	-
Lao People's Democratic Republic	2 000	-	2 000	-	2 000	-	4 000	-
Latvia	-	-	19 000	-	19 000	-	19 000	-
Lebanon	-	-	4 800	-	4 800	-	4 800	-
Liechtenstein	-	-	7 800	-	7 800	-	7 800	-
Lithuania	7 179	-	21 200	-	21 200	-	28 379	-
Lesotho	-	(22 978)	20 165	-	20 165	-	(2 813)	-
Luxembourg	-	-	962 906	-	962 906	-	962 906	-
The former Yugoslav Republic of Macedonia	-	-	286	-	286	-	286	-
Madagascar	-	-	1 000	-	1 000	-	-	1 000
Malaysia	30 000	30 000	80 000	-	80 000	-	140 000	-
Maldives	-	-	4 000	-	4 000	-	4 000	-
Malta	9 000	-	20 000	-	20 000	-	29 000	-
Republic of Moldova	2 200	-	700	-	700	-	-	2 900
Mauritius	-	-	10 000	-	10 000	-	10 000	-
Mexico	-	-	733 053	-	733 053	-	733 053	-
Micronesia (Federated States of)	-	-	1 200	-	1 200	-	1 200	-
Monaco	-	-	40 000	-	40 000	-	40 000	-
Mongolia	-	-	3 000	-	3 000	-	3 000	-
Morocco	12 000	-	-	-	-	-	-	12 000
Namibia	-	-	1 500	-	1 500	-	1 500	-
Netherlands	-	-	16 344 381	237 756	16 582 137	-	16 582 137	-
New Zealand	-	-	320 000	-	320 000	-	320 000	-
Nicaragua	600	-	600	-	600	-	1 200	-
Niger	6 200	-	-	-	-	-	5 600	600
Nigeria	-	-	40 000	-	40 000	-	40 000	-
Norway	-	-	4 603 041	-	4 603 041	89 322	4 603 041	-
Oman	-	-	20 000	-	20 000	-	10 000	10 000
Pakistan	-	-	14 981	-	14 981	9 992	14 981	-
Panama	5 000	8 000	20 000	-	20 000	10 000	33 000	-
Papua New Guinea		-	1 000	-	1 000	-	1 000	-
Philippines	-	-	5 792	-	5 792	-	5 792	-
Poland	-	-	300 000	-	300 000	-	300 000	-
Portugal	-	-	40 000	-	40 000	-	40 000	-
Qatar	-	-	12 000	-	12 000	-	12 000	-
Regional Office for Latin America and the Caribbean/ECLAC-Mexico	-	-	10 472	-	10 472	-	10 472	-

Country/organization	Unpaid pledges as at 1 January 2006	Adjustments to prior years' pledges and receipts	Pledges for 2006-2007	Re-valuations	Net pledges	Collections for future years	Collections for 2006-2007 and prior years	Unpaid pledges for 2007 and prior years
Republic of Montenegro	-	-	1 000	-	1 000	-	1 000	-
Romania	-	-	64 000	-	64 000	-	32 000	32 000
Russian Federation	-	-	1 000 000	-	1 000 000	-	1 000 000	-
Rwanda	-	-	700	-	700	-	700	-
Saudi Arabia	-	-	266 187	-	266 187	-	266 187	-
Serbia and Montenegro	-	-	10 000	-	10 000	-	-	10 000
Sierra Leone	-	-	1 000	-	1 000	-	1 000	-
Senegal	-	-	4 000	-	4 000	5 000	4 000	-
Seychelles	-	-	2 400	-	2 400	2 400	2 400	-
Singapore	-	-	15 000	-	15 000	-	15 000	-
Slovakia	-	-	60 000	-	60 000	-	60 000	-
Slovenia	-	-	100 000	-	100 000	-	100 000	-
South Africa	-	-	108 000	-	108 000	-	108 000	-
Spain	709 500	-	3 821 468	-	3 821 468	-	4 530 968	-
Sri Lanka	-	-	6 658	-	6 658	-	6 658	-
Suriname	1 200	-	1 400	-	1 400	-	700	1 900
Swaziland	-	6 000	8 000	-	8 000	-	14 000	-
Sweden	-	-	5 538 000	-	5 538 000	-	5 538 000	-
Switzerland	-	-	5 994 394	-	5 994 394	-	5 994 394	-
Syrian Arab Republic	-	-	14 000	-	14 000	-	14 000	-
Tajikistan	8 645	-	11 007	-	11 007	-	19 652	-
Tanzania, United Republic of	-	1 175	1 200	-	1 200	-	2 375	-
Thailand	-	-	45 000	-	45 000	25 000	45 000	-
Togo	1 200	-	658	-	658	-	1 858	-
Tonga	600	-	-	-	-	-	600	-
Trinidad and Tobago	-	-	20 000	-	20 000	-	20 000	-
Tunisia	-	-	14 000	-	14 000	-	14 000	-
Turkey	-	-	250 000	-	250 000	-	250 000	-
Turkmenistan	1 000	-	-	-	-	-	-	1 000
Tuvalu	-	-	1 800	-	1 800	-	1 200	600
United Nations Federal Credit Union	-	-	515	-	515	-	515	-
Uganda	4 183	-	1 659	-	1 659	-	5 842	-
United Kingdom	-	-	16 451 820	-	16 451 820	-	16 451 820	-
United States of America	-	-	11 500 000	-	11 500 000	-	11 500 000	-
Vanuatu	600	-	-	-	-	-	-	600
Venezuela (Bolivarian Republic of)	-	20 000	30 000	-	30 000	-	50 000	-
Viet Nam	-	-	5 000	-	5 000	-	5 000	-
Zambia	-	2 178	2 724	-	2 724	-	4 902	-
	1 237 099	**115 051**	**127 849 510**	**237 788**	**128 087 298**	**11 888 833**	**127 172 484**	**2 266 964**

Ageing of unpaid pledges as at 31 December 2007

0-6 months	7-12 months	13-24 months	More than 24 months	Total
2 184 724	39 896	1 000	41 344	2 266 964

Statement V

Environment Fund

Summary of appropriations, allocations issued, expenditure incurred and unexpended balance of appropriations and allocations for the biennium 2006-2007 ended 31 December 2007

(Thousands of United States dollars)

	(1) Revised appropriations for 2006-2007 based on UNEP restructuring	(2) Allocations issued for 2006-2007	(3) Expenditure for 2006-2007	(4)=(1)-(3) Unexpended appropriations for 2006-2007	(5)=(2)-(3) Unexpended allocations for 2006-2007
Fund programme activities					
Environmental assessment and early warning	25 350	22 815	22 809	2 541	6
Policy development and law	16 402	14 762	14 474	1 928	288
Policy implementation	14 641	13 177	13 160	1 481	17
Technology, industry and economics	26 194	23 575	23 438	2 756	137
Regional policy, planning and servicing	24 675	22 208	22 068	2 607	140
Environmental conventions	6 613	5 952	5 948	665	4
Communication and public information	8 125	7 313	7 213	912	100
Total Fund programme activities	**122 000**	**109 802**	**109 110**	**12 890**	**692**
Fund programme reserve activities	6 000	4 200	2 408	3 592	1 792
Subtotal	**128 000**	**114 002**	**111 518**	**16 482**	**2 484**
Support budget					
Staff and other personnel costs	6 402	5 199	6 022	380	(823)
Contractual services	5 623	4 879	3 893	1 730	986
Travel	1 462	1 382	1 439	23	(57)
Operating expenses	2 386	1 663	1 728	658	(65)
Acquisitions	127	277	270	(143)	7
Support budget	**16 000**	**13 400**	**13 352**	**2 648**	**48**
Total Environment Fund	**144 000**	**127 402**	**124 870**	**19 130**	**2 532**

Expenditure includes:	
Unliquidated obligations	
Total Fund programme activities	11 032
Total Fund programme reserve activities	885
Support budget	348
Total unliquidated obligations	12 265
Future year commitments	(3 355)
Current biennium unliquidated obligations	8 910

Statement VI

Special Account for Programme Support Costs
Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

	Reference	2007	2005
Income			
Income for services rendered:			
UNEP general trust funds		15 407	13 955
Multilateral Fund	Statement IX	664	591
UNEP technical cooperation trust funds		5 140	4 868
UNEP Professional Officers programme		659	626
UNEP earmarked contributions		2 729	1 931
UNEP Sasakawa Environment Prize		-	30
Interest income		321	303
Miscellaneous income	Note 3	1 497	950
Total income		**26 417**	**23 254**
Expenditure			
Staff and other personnel costs		13 811	9 955
Contractual services		10 522	9 103
Travel		648	384
Operating expenses		218	954
Acquisitions		66	21
Total expenditure		**25 265**	**20 417**
Excess/(shortfall) of income over expenditure		1 152	2 837
Prior period adjustments	Note 4	(615)	(119)
Net excess/(shortfall) of income over expenditure		537	2 718
Savings on or cancellation of prior period obligations		69	528
Transfer from/(to) United Nations Office at Nairobi and other funds		(418)	3
Transfer to/from operating reserve		(500)	-
Reserves and fund balances, beginning of period		6 800	3 551
Reserves and fund balances, end of period		**6 488**	**6 800**
Operating reserve — beginning of period		**2 000**	**2 000**
Operating reserve — end of period		**2 500**	**2 000**

Statement of assets, liabilities, reserves and fund balances for the biennium 2006-2007 ended 31 December 2007 (Thousands of United States dollars)

Assets			
Cash pool — euro	Note 5	5 213	-
Cash pool — United States dollars	Note 5	3 571	769
Inter-fund balances	Note 7	2 541	8 848
Accounts receivable — other	Note 8	37	21
Other assets	Note 9	732	10
Total assets		**12 094**	**9 648**
Liabilities			
Payments or contributions received in advance		-	227
Unliquidated obligations		836	529
Accounts payable — other	Note 10	2 270	92
Total liabilities		**3 106**	**848**
Reserves and fund balances			
Operating reserve		2 500	2 000
Fund balance		6 488	6 800
Total reserves and fund balances		**8 988**	**8 800**
Total liabilities, reserves and fund balances		**12 094**	**9 648**

Statement VII

All trust funds
Summary of income, expenditure and changes in fund balances for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

	Opening fund balance, 1 January 2006	Income	Expenditure	Adjustments/ transfers	Closing fund balance, 31 December 2007
SUMMARY BY TYPE OF SUPPORT					
Direct support to UNEP programme of work					
General trust funds	25 189	29 763	(31 188)	(1 035)	22 729
Technical trust funds — general	17 029	60 859	(40 396)	574	38 066
Technical trust funds — personnel	4 337	6 930	(6 161)	(559)	4 547
Earmarked contributions	31 705	55 057	(60 068)	(2 655)	24 039
Total direct support to UNEP programme of work	78 260	152 609	(137 813)	(3 675)	89 381
Conventions/protocols/Regional Seas programmes					
General trust funds	44 104	120 980	(110 643)	(2 114)	52 327
Technical trust funds — general	19 832	29 868	(27 410)	147	22 437
Earmarked contributions	4 339	12 422	(12 373)	1 455	5 843
Total conventions/protocols/Regional Seas programmes	68 275	163 270	(150 426)	(512)	80 607
Supporting the Global Environment Facility (GEF)					
Special accounts and trust funds	78 251	122 240	(125 675)	(390)	74 426
Earmarked contributions	1 143	645	(825)	120	1 083
Total supporting the Global Environment Facility (GEF)	79 394	122 885	(126 500)	(270)	75 509
GRAND TOTAL TRUST FUNDS	225 929	438 764	(414 739)	(4 457)	245 497
SUMMARY BY TYPE OF TRUST FUND					
General trust funds					
Direct support to UNEP programme of work	25 189	29 763	(31 188)	(1 035)	22 729
Conventions/protocols/Regional Seas programmes	44 104	120 980	(110 643)	(2 114)	52 327
Total general trust funds	69 293	150 743	(141 831)	(3 149)	75 056
Technical cooperation trust funds					
Direct support to UNEP programme of work	17 029	60 859	(40 396)	574	38 066
Conventions/protocols/Regional Seas programmes	19 832	29 868	(27 410)	147	22 437
Supporting the Global Environment Facility (GEF)	78 251	122 240	(125 675)	(390)	74 426
Total technical cooperation trust funds	115 112	212 967	(193 481)	331	134 929
Professional Officers trust funds					
Direct support to UNEP programme of work	4 337	6 930	(6 161)	(559)	4 547
Total Professional Officers trust funds	4 337	6 930	(6 161)	(559)	4 547
Earmarked contributions					
Direct support to UNEP programme of work	31 705	55 057	(60 068)	(2 655)	24 039
Conventions/protocols/Regional Seas programmes	4 339	12 422	(12 373)	1 455	5 843
Supporting the Global Environment Facility (GEF)	1 143	645	(825)	120	1 083
Total earmarked contributions	37 187	68 124	(73 266)	(1 080)	30 965
GRAND TOTAL TRUST FUNDS	225 929	438 764	(414 739)	(4 457)	245 497

Schedule 7.1

Trust funds
Income expenditure and changes in reserves and fund balances
for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

		Opening fund balance, 1 January 2006	Income	Expenditure	Adjustments/ transfers	Closing fund balance, 31 December 2007
General trust funds						
Directly supporting UNEP						
AEL	General Trust Fund for the Purpose of Post-conflict Environmental Assessment	7 447	8 062	(12 960)	(955)	1 594
AML	General Trust Fund for the African Ministerial Conference on the Environment (AMCEN)	5 021	427	-	-	5 448
BKL	General Trust Fund for the Clean-up of Hotspots following the Kosovo Conflicts and Preparation of Guidelines on Assessment and Remedial Measures for Post-conflict Environmental Damages	670	5	(91)	-	584
BLL	General Trust Fund in Support of the UNEP/Habitat Balkans Task Force on Environment and Human Settlements	252	24	(11)	(41)	224
CWL	General Trust Fund for the African Ministers' Council on Water (AMCOW)	-	1 260	(716)	-	544
DUL	General Trust Fund to Support the Activities of the Dams and Development Unit to coordinate follow-up to the World Commission on Dams	615	1 171	(1 725)	-	61
EBL	General Trust Fund for Implementing National Biodiversity Strategies and Action Plans	182	49	3	-	234
EEL	General Trust Fund for Environmental Emergencies	2	504	(499)	-	7
EGL	General Trust Fund to establish a secretariat for the Environment Management Group in the International Environment House, Geneva	1	1	-	-	2
ETL	Trust Fund for the Environmental Training Network in Latin America and the Caribbean	349	185	(222)	(229)	83
FIL	General Trust Fund to Support the Activities of the UNEP Financial Services Initiative on the Environment	926	2 086	(2 699)	-	313
GPL	General Trust Fund in Support of the Implementation of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities (GPA), and Related Information Exchange and Technical Assistance	1 509	1 200	(754)	-	1 955
IGL	GTF Activities of the Open-Ended Group of Ministers on International Environment Governance	(47)	-	-	(3)	(50)
MCL	General Trust Fund in Support of the Preparation of a Global Assessment of Mercury and its Compounds	2 274	3 208	(3 947)	-	1 535
POL	General Trust Fund in Support of the Preparation for and Negotiation of an Internationally Legally Binding Instrument for International Action on Persistent Organic Pollutants, and Related Information Exchange and Technical Assistance Activities	4 666	1 275	(2 999)	(1 892)	1 050

Schedule 7.1

Trust funds
Income expenditure and changes in reserves and fund balances for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

		Opening fund balance, 1 January 2006	Income	Expenditure	Adjustments/ transfers	Closing fund balance 31 December 2007
PPL	General Trust Fund in Support of the Preparation and Negotiation of an International Legally Binding Instrument for the Application of the Prior Informed Consent Procedure for Certain Hazardous Chemicals in International Trade	662	63	8	-	733
RCL	General Trust Fund in Support of the Implementation of Governing Council Decisions in the North American Region	94	11	-	-	105
RPL	General Trust Fund to Support the Participation of Developing Countries in the Regular Process for Reporting and Assessment of the State of the Marine Environment	-	134	-	-	134
SAL	UNEP Sasakawa Environment Prize	16	130	(1 201)	1 055	-
SML	General Trust Fund for The Strategic Approach to International Chemicals Management (SAICM) Quick Start Programme	-	9 959	(2 821)	1 030	8 168
WPL	General Trust Fund to provide Support to the Global Environment Monitoring System/Water Programme Office and to promote its activities	550	9	(554)	-	5
ZZL	Holding Fund for Cash Transactions of all UNEP Trust Funds	-	-	-	-	-
Total directly supporting UNEP		25 189	29 763	(31 188)	(1 035)	22 729
Support/conventions/protocols/Regional Seas programmes						
AVL	General Trust Fund for voluntary contribution in respect of agreement on the conservation of African Eurasian migratory water birds (AEWA)	-	835	(583)	-	252
AWL	General Trust Fund for the African-Eurasian Water Birds Agreement	10	1 770	(1 394)	-	386
BAL	General Trust Fund for the Conservation of Small Cetaceans of the Baltic's and North Seas (ASCOBANS)	64	485	(441)	(88)	20
BCL	Trust Fund for the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	2 440	7 999	(8 612)	-	1 827
BDL	Trust Fund to Assist Developing Countries and Other Countries in Need of Technical Assistance in the Implementation of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	3 470	3 677	(3 598)	(14)	3 535
BEL	General Trust Fund for Additional Voluntary Contributions in Support of Approved Activities under the Convention on Biological Diversity	1 755	5 367	(3 044)	(255)	3 823
BGL	General Trust Fund for the Core Programme Budget for the Biosafety Protocol	860	4 594	(2 992)	(234)	2 228
BHL	Special Voluntary Trust Fund for the additional Voluntary Contributions in Support of Approved Activities	139	604	(443)	-	300

Schedule 7.1

Trust funds
Income expenditure and changes in reserves and fund balances for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

		Opening fund balance, 1 January 2006	Income	Expenditure	Adjustments/ transfers	Closing fund balance, 31 December 2007
BIL	Special Voluntary Trust Fund for Facilitating Participation of Developing Country Parties, in particular the Least Developed and Small Island Developing States amongst Them, and Parties with Economies in Transition	302	868	(889)	-	281
BTL	General Trust Fund for the Conservation of European Bats (EUROBATS)	115	836	(687)	-	264
BVL	Trust Fund for the Establishment of the Interim Secretariat of the Biological Diversity Convention	374	44	-	-	418
BYL	General Trust Fund for the Convention on Biological Diversity	6 119	18 417	(21 645)	(1 122)	1 769
BZL	General Trust Fund for Voluntary Contributions to Facilitate the Participation of Parties in the Process of the Convention on Biological Diversity	1 246	2 046	(1 802)	(65)	1 425
CRL	Regional Trust Fund for the Implementation of the Action Plan for the Caribbean Environment Programme	3 203	2 399	(1 954)	-	3 648
CTL	Trust Fund for the Convention on International Trade in Endangered Species of Wild Fauna and Flora	1 887	10 315	(9 814)	(2)	2 386
EAL	Regional Seas Trust Fund for the Eastern African Region	3 252	758	(528)	156	3 638
ESL	Regional Trust Fund for the Implementation of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of East Asian Seas	1 633	488	(924)	-	1 197
LAL	General Trust Fund in Support of the Lusaka Agreement Task Force on Cooperative Enforcement Operations Directed at Illegal Trade in Wild Fauna and Flora	2	-	-	-	2
MEL	Trust Fund for Protection of the Mediterranean Sea Against Pollution	1 733	16 000	(16 517)	-	1 216
MPL	Trust Fund for the Montreal Protocol on Substances that Deplete the Ozone Layer	7 879	9 101	(8 894)	(58)	8 028
MSL	Trust Fund for the Convention on Conservation of Migratory Species of Wild Animals	646	5 356	(4 729)	(2)	1 271
MVL	Trust Fund for the Convention on Conservation of Migratory Species of Wild Animals	-	2 020	(1 149)	318	1 189
PNL	General Trust Fund for the Protection, Management and Development of Coastal and Marine Environment and the Resources of Northwest Pacific Region	1 635	690	(899)	-	1 426
ROL	General Trust Fund for Operational Budget of the Rotterdam Convention	705	7 582	(5 260)	(897)	2 130
RVL	General Trust Fund for the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals in International Trade	959	1 884	(1 741)	242	1 344

Schedule 7.1

Trust funds
Income expenditure and changes in reserves and fund balances for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

		Opening fund balance, 1 January 2006	Income	Expenditure	Adjustments/ transfers	Closing fund balance, 31 December 2007
SCL	General Trust Fund for the Stockholm Convention on Persistent Organic Pollutants, its subsidiary bodies and the Convention	-	10 129	(8 968)	(338)	823
SOL	General Trust Fund for Financing Activities on Research and Observations to the Vienna Convention	40	78	-	-	118
SVL	Special Trust Fund for the Stockholm Convention on persistent Organic Pollutants, its subsidiary bodies and the Convention	-	4 635	(1 592)	246	3 289
VBL	General Trust Fund for Voluntary contributions to facilitate the participation of indigenous and local communities in the work of the Convention of Biological Diversity	-	421	(219)	-	202
VCL	Trust Fund for the Vienna Convention for the Protection of the Ozone Layer	3 517	1 447	(1 355)	-	3 609
WAL	Trust Fund for the Protection and Development of the Marine Environment and Coastal Areas of West and Central African Region	119	135	30	(1)	283
Total supporting conventions/protocols/Regional Seas programmes		44 104	120 980	(110 643)	(2 114)	52 327
Total general trust funds		69 293	150 743	(141 831)	(3 149)	75 056
Technical cooperation trust funds						
Directly supporting UNEP — general						
AHL	Technical Cooperation Trust Fund to Assist the Implementation of Agenda 21 in Europe and to Strengthen Pan-European Environmental Cooperation (financed by the Government of the Netherlands)	50	-	-	-	50
ANL	Technical Cooperation Trust Fund in Support of the UNEPnet Implementation Centre (financed by the Government of Norway)	(418)	-	-	418	-
ASL	Technical Cooperation Trust Fund to Assist Developing Countries to Take Action in Accordance with Agenda 21 (financed by the Government of Sweden)	144	-	-	-	144
CDL	Technical Cooperation Trust Fund to Provide Consultancies to Developing Countries (financed by the Government of Finland)	4	-	-	(4)	-
CIL	Technical cooperation trust fund to support the implementation of the strategic plan for remediation activities following the toxic waste incident in Abidjan, Côte d'Ivoire	-	1 650	-	-	1 650
CGL	Technical Cooperation Trust Fund to Assist the International Agricultural Research Centres (IARCs) of the Consultative Group on International Agricultural Research (CGIAR) in the Use of Geographical Information Systems in Agriculture Research Management	4	-	-	(4)	-

Schedule 7.1

Trust funds
Income expenditure and changes in reserves and fund balances for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

		Opening fund balance, 1 January 2006	Income	Expenditure	Adjustments/ transfers	Closing fund balance, 31 December 2007
DNL	Technical Cooperation Trust Fund in Support of the Network for Environmental Training at the Tertiary Level in Asia and the Pacific (NETTLAP) (financed by the Government of Denmark)	1	-	-	(1)	-
EML	Technical Cooperation Trust Fund for Activities in Developing Countries on Environmental Awareness and Machinery (financed by the Government of Germany)	197	23	-	-	220
FML	Technical Cooperation Trust Fund for the Organization of a Technology Transfer Workshop on the Implementation of the Montreal Protocol for French-speaking African Countries (financed by the Government of France)	10	-	-	(10)	-
GML	Technical Cooperation Trust Fund for the Production of an Information Video Booklet on Working Safely with Hydrocarbons in Domestic and Small-scale Commercial Refrigeration (financed by the Government of Germany)	-	-	-	-	-
GTL	Technical Cooperation Trust Fund in Support of UNEP Implementation of Enabling and Pioneering Environmental Projects (financed by the Government of Germany)	-	-	-	-	-
HAL	Technical Cooperation Trust Fund in Support of the Meetings of the UNEP High-level Committee of Ministers and Officials (financed by the Government of the United States of America)	-	-	-	-	-
ITL	INFOTERRA Technical Cooperation Trust Fund (financed by the Government of the United States of America)	-	-	-	-	-
KTL	Technical Cooperation Trust Fund for the Promotion of Cleaner Production Investments in Developing Countries (financed by the Government of Norway)	375	-	-	(375)	-
MHL	Technical Cooperation Trust Fund to Promote Technical Cooperation and Assistance in Industrial, Environmental and Raw Material Management (financed by the Government of Sweden)	80	-	-	-	80
RUL	Technical Cooperation Trust Fund in Support of Meetings of Sub-Committees or Working Groups on Programmatic and Administrative Reform of UNEP (financed by the Government of the United States of America)	-	-	-	-	-
BPL	Technical Cooperation Trust Fund for the Implementation of the Agreement with Belgium (financed by the Government of Belgium)	2 847	4 814	(5 009)	-	2 652
DPL	Technical Cooperation Trust Fund for the Partnership Agreement between the Government of the Netherlands and UNEP (financed by the Government of the Netherlands)	3 169	194	(3 363)	-	-

Schedule 7.1

Trust funds
Income expenditure and changes in reserves and fund balances for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

		Opening fund balance, 1 January 2006	Income	Expenditure	Adjustments/ transfers	Closing fund balance, 31 December 2007
ELL	Technical Cooperation Trust Fund to Strengthen the Institutional and Regulatory Capacity of Developing Countries in Africa (financed by the Government of the Netherlands)	811	60	(1 011)	180	40
GIL	Technical Cooperation Trust Fund to Provide Experts to the UNEP/GRID (financed by the Government of the United States of America)	26	54	(78)	-	2
GNL	Technical Cooperation Trust Fund in Support of the Coordination Office of the Global Programme Action for the Protection of the Marine Environment from Land-based Activities (financed by the Government of the Kingdom of the Netherlands)	(173)	933	(304)	-	456
IAL	Technical Co-operation Trust Fund for Ireland Aid Multilateral Environmental Fund for Africa (financed by the Government of Ireland)	1 189	1 800	(1 140)	18	1 867
IPL	Technical Cooperation Trust Fund to Assist the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer in Developing Countries (financed by the Government of Sweden)	296	691	(620)	-	367
JCL	Technical Cooperation Trust Fund for the Establishment of the International Environment Technology Centre in Japan	1 101	3 836	(3 539)	-	1 398
JGL	Technical Cooperation Trust Fund to Support Activities on Environmental Issues (financed by the Government of Japan)	472	56	-	-	528
NFL	Technical Cooperation Trust Fund for the Implementation of the Framework Agreement between UNEP and Norway	-	19 404	(11 048)	-	8 356
GAL	Technical Cooperation Trust Fund for the Implementation of Activities funded by the United Nations Fund for International Partnerships (UNFIP)	(206)	5 453	(6 683)	352	(1 084)
REL	Technical Cooperation Trust Fund for the Promotion of Renewable Energy in the Mediterranean Region (financed by the Government of Italy)	2 551	3 514	(1 112)	-	4 953
SEL	Technical Cooperation Trust Fund for the Implementation of the Agreement with Sweden	2 980	8 309	(4 955)	-	6 334
SFL	Technical Cooperation Trust Fund for Implementation of the Framework Agreement between Spain and UNEP	-	9 337	(284)	-	9 053
UCL	Technical Cooperation Trust Fund for the Enhancement of Cooperation between UNEP and United Nations Compensation Commission (UNCC) in the Implementation of the United Nations Security Council Resolution 687 (1991)	239	16	(194)	-	61

Schedule 7.1

Trust funds
Income expenditure and changes in reserves and fund balances for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

		Opening fund balance, 1 January 2006	Income	Expenditure	Adjustments/ transfers	Closing fund balance, 31 December 2007
UTL	Technical Cooperation Trust Fund for the Implementation of UNEP-UNCTAD Capacity-building Task Force on Activities on Trade, Environment and Development	911	667	(1 056)	-	522
VML	Technical Cooperation Trust Fund to Assist Developing Countries to Take Action for the Protection of the Ozone Layer Under the Vienna Convention and Montreal Protocol (financed by the Government of Finland)	369	48	-	-	417
Total directly supporting UNEP — general		17 029	60 859	(40 396)	574	38 066
Supporting convention/protocols/Regional Seas programmes						
IML	Technical Cooperation Trust Fund for UNEP Implementation of the Multilateral Fund Activities	19 461	29 460	(26 944)	147	22 124
MRL	Technical Cooperation Trust Fund on the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South East Asia	192	383	(466)	-	109
RSL	Technical Cooperation Trust Fund to support the implementation of the Rotterdam and Stockholm conventions in Developing countries	179	25	-	-	204
Total supporting convention/protocols/Regional Seas programmes		19 832	29 868	(27 410)	147	22 437
Division of Global Environment Facility						
FBL	Technical Cooperation Trust Fund for the Implementation of the Global Environment Facility Fee-based System for Funding Project Implementation	20 349	14 947	(14 607)	(517)	20 172
GFL	Technical Cooperation Trust Fund for UNEP Implementation of the Activities Funded by the Global Environment Facility	56 114	107 102	(109 804)	134	53 546
GWL	Technical Cooperation Trust Fund for the Provision of Support to the Global International Waters Project (financed by the Government of Finland)	61	120	(99)	-	82
LDL	Technical Cooperation Trust Fund for the Management of UNEP/GEF National Adaptation Programme of Action for Least Developed Countries	1 720	71	(1 165)	-	626
SPL	Technical Cooperation Trust Fund for the UNEP/GEF Strategic Partnership	7	-	-	(7)	-
Total Division of Global Environment Facility		78 251	122 240	(125 675)	(390)	74 426
Total technical cooperation trust funds		115 112	212 967	(193 481)	331	134 929

Schedule 7.1

Trust funds
Income expenditure and changes in reserves and fund balances for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

		Opening fund balance, 1 January 2006	Income	Expenditure	Adjustments/ transfers	Closing fund balance, 31 December 2007
Directly supporting UNEP personnel						
BNL	Technical Cooperation Trust Fund for the Provision of a Senior Technical Cooperation Advisory/Liaison Officer for the UNEP Office in Brussels (financed by the Government of the Netherlands)	(69)	69	-	-	-
CEL	Technical Cooperation Trust Fund for Financing of Professional Officers (financed by the Government of Finland)	525	1 220	(811)	-	934
CSL	Technical Cooperation Trust Fund for the Provision of a Senior Professional Officer to UNEP (financed by the Government of Canada)	21	2	-	-	23
FGL	Technical Cooperation Trust Fund for the Provision of a Senior Programme Officer to the UNEP/GPA Office in The Hague (financed by the Government of France)	95	12	-	-	107
PHL	Technical Cooperation Trust Fund for the Provision of Professional Officers to the Ozone Secretariat (financed by the Government of the Netherlands)	-	-	-	-	-
PUL	Technical Cooperation Trust Fund to support the UNEP Executive Director's Implementation of Personnel Reforms	-	-	-	-	-
SDL	Technical Cooperation Trust Fund for the secondment of a UNEP Senior Officer to the secretariat of the Intergovernmental Panel on Forests (financed by the Government of the Netherlands)	(66)	119	(53)	-	-
SNL	Special Purpose Trust Fund for the Provision of a Programme Officer to UNEP/SBC (financed by the Government of Switzerland-SAEFL)	(22)	163	(21)	-	120
TAL	Technical Cooperation Trust Fund for Provision of Junior Professional Officers (financed by the Government of Austria)	89	259	(180)	-	168
TBL	Technical Cooperation Trust Fund for Provision of Junior Professional Officers (financed by the Government of Belgium)	235	280	(389)	-	126
TCL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Nordic Governments through the Government of Sweden)	(13)	469	(325)	-	131
TDL	Special Purpose Trust Fund for Government of Denmark's Agreement with UNEP for the Provision of Junior Professional Officers	195	448	(312)	(57)	274
TEL	Technical Cooperation Trust Fund for the Provision of Professional and Junior Professional Officers (financed by the Government of the United States of America)	(105)	2	118	-	15
TGL	Special Purpose Trust Fund for the Provision of Junior Professional Officers (financed by the Government of Germany)	521	653	(590)	(153)	431

Schedule 7.1

Trust funds
Income expenditure and changes in reserves and fund balances for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

		Opening fund balance, 1 January 2006	Income	Expenditure	Adjustments/ transfers	Closing fund balance, 31 December 2007
THL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Government of the Netherlands)	182	517	(404)	-	295
TIL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Government of Italy)	172	322	(544)	-	(50)
TJL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Government of Japan)	1 013	529	(604)	1	939
TKL	Technical Cooperation Trust Fund for the Provision of Professional Officers (financed by the Government of the Republic of Korea)	282	872	(831)	-	323
TNL	Special Purpose Trust Fund for the Government of Norway's Agreement with UNEP for the Provision of Junior Professional Officers	145	145	(132)	-	158
TOL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by L'Organisation Internationale de la Francophonie)	158	9	(105)	-	62
TRL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Government of France)	264	268	(308)	-	224
TSL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Government of Sweden)	577	556	(670)	(350)	113
UKL	Technical Cooperation Trust Fund for the Provision of an Executive Assistant of the Executive Director (financed by the Government of the United Kingdom)	138	16	-	-	154
Total directly supporting UNEP — personnel		4 337	6 930	(6 161)	(559)	4 547
Total technical trust funds		119 449	219 897	(199 642)	(228)	139 476
Earmarked contributions						
CPL	Directly supporting UNEP	31 705	55 057	(60 068)	(2 655)	24 039
Q**	Supporting conventions/protocols/Regional Seas programmes	4 339	12 422	(12 373)	1 455	5 843
QGL	Supporting the Global Environment Facility (GEF)	1 143	645	(825)	120	1 083
Total earmarked contributions		37 187	68 124	(73 266)	(1 080)	30 965
Grand total trust funds		225 929	438 764	(414 739)	(4 457)	245 497
Other funds						
CAL	Support of the Mediterranean Action Plan	(163)	850	(684)	-	3
JAL	Support of the Action Plan for the Caribbean Environment Programme (Jamaican dollars)	-	-	(1)	-	(1)
FTL	Revolving Fund activities	100	251	(224)	1	128
SRL	General Trust Fund for voluntary contribution in respect of the United Nations Scientific Committee on the Effects of Atomic Radiation (UNSCEAR)	-	97	-	-	97
Total other funds		(63)	1 198	(909)	1	227

Note: Category Q** consists of earmarked funds starting with Q with the exception of QGL.

Statement VIII

End-of-service and post-retirement benefits
Statement of income and expenditure and changes in reserves and fund balances for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

	Reference	ASHI	Unused vacation days	Repatriation benefits	Total 2007	Total 2005
Total income		-	-	-	-	-
Total expenditure		-	-	-	-	-
Excess/(shortfall) of income over expenditure		-	-	-	-	-
Non-budgeted accrued expenses for end-of-service and post-retirement benefits		(38 145)	(2 418)	-	(40 563)	-
Prior period adjustments	Note 4	-	-	-	-	(11 133)
Net excess of income over expenditure		(38 145)	(2 418)	-	(40 563)	(11 133)
Transfer to reserves		-	-	-	-	-
Transfer from other funds		-	-	-	-	-
Fund balances, beginning of period		-	(10 318)	(815)	(11 133)	-
Fund balances, end of period		(38 145)	(12 736)	(815)	(51 696)	(11 133)
Reserves, beginning of period		-	-	-	-	-
Transfers to reserves		-	-	2 970	2 970	-
Reserves, end of period		-	-	2 970	2 970	-
Total reserves and fund balances		(38 145)	(12 736)	2 155	(48 726)	(11 133)

Statement of assets, liabilities, reserves and fund balances as at 31 December 2007

Assets						
Inter-fund balances	Note 7	-	-	10 641	10 641	6 330
Total assets		-	-	10 641	10 641	6 330
Liabilities						
End-of-service and post-retirement benefits	Note 12	38 145	12 736	8 486	59 367	17 463
Other liabilities		-	-	-	-	-
Total liabilities		38 145	12 736	8 486	59 367	17 463
Reserves and fund balances						
Reserves		-	-	2 970	2 970	-
Fund balance		(38 145)	(12 736)	(815)	(51 696)	(11 133)
Total reserves and fund balances		(38 145)	(12 736)	2 155	(48 726)	(11 133)
Total liabilities, reserves and fund balances		-	-	10 641	10 641	6 330

Statement IX

Trust Fund
for the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer
Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2006-2007 ended 31 December 2007
(Thousands of United States dollars)

		2007	2005
Income	Reference		
Voluntary contributions	Schedule 9.1	257 648	264 606
Interest income		32 772	12 670
Miscellaneous income		21 351	17 203
Total income		311 771	294 479
Expenditure			
Staff and other personnel costs		6 693	5 944
Contractual services		1 982	1 635
Travel		553	477
Operating expenses		715	955
Acquisitions		1 107	936
Programme support costs	Statement VI	664	591
UNEP managed activities		27 216	26 140
UNDP managed activities	See note (a) below	49 552	69 761
UNIDO managed activities		76 572	81 012
World Bank managed activities		184 408	151 656
Total expenditure		349 462	339 107
Shortfall of income over expenditure		(37 691)	(44 628)
Prior period adjustments	See note (b) below	3 028	(2 863)
Net shortfall of income over expenditure		(34 663)	(47 491)
Reserves and fund balances, beginning of period		515 198	562 689
Reserves and fund balances, end of period		480 535	515 198

Statement of assets, liabilities, reserves and fund balances for the biennium 2006-2007 ended 31 December 2007

Assets			
Cash and term deposits	Note 5	453	864
Cash pool — United States dollars	Note 5	32 392	9 926
Advances provided to implementing agencies		239 793	252 961
Accounts receivable:			
Voluntary contributions receivable	Schedule 9.1, note (c) below	173 751	165 179
Inter-fund balances	Note 7	170	3 750
Other		1 207	213
Promissory notes		40 747	90 929
Other assets		34	3
Total assets		488 547	523 825
Liabilities			
Payments or contributions received in advance	Schedule 9.1	7 394	4 465
Unliquidated obligations		324	437
Accounts payable — other		294	3 725
Total liabilities		8 012	8 627
Reserves and fund balances			
Fund balance		480 535	515 198
Total reserves and fund balances		480 535	515 198
Total liabilities, reserves and fund balances		488 547	523 825

	2007	2005
Cash flows from operating activities		
Net shortfall of income over expenditure	(34 663)	(47 491)
(Increase)/decrease in:		
Contributions receivable	(8 572)	(1 612)
Net advances provided to implementing agencies	13 168	(59 960)
Other accounts receivable	(1 207)	169
Other assets	(31)	16
Increase/(decrease) in:		
Payments or contributions received in advance	2 929	3 230
Unliquidated obligations	(113)	83
Other accounts payable	(3 218)	3 275
Interfund balances payable	3 580	3 527
Less: interest income	(32 772)	(12 670)
Net cash flows from operating activities	(60 899)	(111 433)
Cash flows from investing activities		
Decrease in promissory notes	50 182	36 016
Increase in cash pools	(22 466)	62 660
Plus: interest income	32 772	12 670
Net cash flow from investing activities	60 488	111 346
Cash flows from financing activities		
Net decrease in cash and term deposits	(411)	(87)
Cash and term deposits, beginning of period	864	951
Cash and term deposits, end of period	453	864

Notes specific to statement IX

(a) For ease of monitoring and to avoid delay, the Treasurer, with the approval of the Executive Committee of the Multilateral Fund has adopted the practice of recording UNDP, UNIDO and WB-IBRD unaudited expenditure submitted. There is however an agreement that the implementing agencies will provide audited expenditures immediately they become available but not later than 30 September of the following year.

(b) The prior period adjustments relate to correcting entries made in respect of a contribution for bilateral projects from Japan approved in December 2005 but not recorded in the biennium 2004-2005.

(c) The Parties to the Montreal Protocol consider that all unpaid pledges are fully collectible. It should be noted that US$ 109,743,916 (63%) represents amounts due from countries with economies in transition. The fund encourages parties to pay their outstanding contributions in full and no write-offs are currently being considered.

Schedule 9.1

Trust Fund for the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer
Status of contributions for the biennium 2006-2007 ended 31 December 2007
(United States dollars)

Country/organization	Unpaid pledges as at 1 January 2006	Adjustments to prior years' pledges and receipts	Pledges for 2006-2007	Revaluations	Net pledges	Collections for future years	Collections in 2007 for 2007 and prior years	Unpaid pledges for 2007 and prior years
Australia	69 299	-	5 190 336	10 796	5 201 132	-	5 201 132	69 299
Austria	-	-	2 870 682	-	2 870 682	-	2 870 682	-
Azerbaijan	647 737	-	16 709	-	16 709	-	114 930	549 516
Belarus	2 570 292	-	60 154	-	60 154	-	-	2 630 446
Belgium	2 186 352	-	3 572 479	-	3 572 479	-	5 758 831	-
Bulgaria	-	-	56 812	-	56 812	-	56 812	-
Canada	-	-	8 894 531	-	8 894 531	-	8 680 434	214 097
Cyprus	-	-	130 334	-	130 334	-	130 334	-
Czech Republic	-	-	611 566	-	611 566	305 783	611 566	-
Denmark	-	-	2 399 476	-	2 399 476	-	2 399 476	-
Estonia	-	-	40 103	-	40 103	-	40 103	-
Finland	103 927	-	1 781 227	-	1 781 227	-	1 885 154	-
France	693 288	(45 560)	18 636 937	-	18 636 937	84 750	18 591 377	693 288
Germany	171 486	52 628	23 158 002	-	23 158 002	5 789 435	23 210 630	171 486
Greece	3 079 301	-	1 771 201	9 226	1 780 427	-	1 544 079	3 315 649
Hungary	-	-	421 078	-	421 078	-	421 078	-
Iceland	-	-	113 624	-	113 624	-	113 624	-
Ireland	-	-	1 169 661	-	1 169 661	-	1 169 661	-
Israel	3 429 301	-	1 560 662	-	1 560 662	-	-	4 989 963
Italy	1 413 552	-	15 457 112	-	15 457 112	-	14 473 645	2 397 019
Japan	10 836 933	2 768 500	58 663 183	-	58 663 183	62 150	61 431 683	10 836 933
Latvia	-	-	50 128	-	50 128	-	50 128	-
Liechtenstein	-	-	16 709	-	16 709	-	16 709	-
Lithuania	452 864	-	80 205	-	80 205	-	40 102	492 967
Luxembourg	-	-	257 325	-	257 325	-	257 325	-
Malta	-	-	46 786	-	46 786	-	23 393	23 393
Monaco	-	-	10 026	-	10 026	-	10 026	-
Netherlands	-	-	5 647 791	-	5 647 791	1 152 184	5 647 791	-
New Zealand	-	-	738 557	-	738 557	-	738 557	-
Norway	-	-	2 269 142	-	2 269 142	-	2 269 142	-
Poland	-	-	1 540 611	-	1 540 611	-	1 540 611	-
Portugal	2 525 326	-	1 570 688	-	1 570 688	-	3 312 673	783 341
Russian Federation	93 732 102	-	3 676 077	-	3 676 077	-	(1)	97 408 180
Slovakia	-	-	170 436	-	170 436	-	170 436	-
Slovenia	-	-	274 035	-	274 035	-	274 035	-
Spain	4 400	-	8 421 559	-	8 421 559	-	8 425 959	-
Sweden	6 437	250 835	3 335 205	-	3 335 205	-	3 592 477	-
Switzerland	-	-	3 585 372	-	3 585 372	-	3 496 585	88 787
Tajikistan	91 302	-	3 342	-	3 342	-	1 683	92 962
Turkmenistan	281 718	-	-	-	-	-	-	281 718
Ukraine	8 018 057	-	130 334	-	130 334	-	-	8 148 391
United Kingdom	500 037	-	20 475 750	-	20 475 750	-	20 475 750	500 037
United States of America	33 972 633	-	58 725 333	-	58 725 333	-	53 073 954	39 624 012
Uzbekistan	392 968	-	46 786	-	46 786	-	-	439 754
Total	**165 179 312**	**3 026 403**	**257 648 066**	**20 022**	**257 668 088**	**7 394 302**	**252 122 566**	**173 751 238**

Ageing of unpaid pledges as at 31 December 2007

0-6 months	7-12 months	13-24 months	More than 24 months	Total
-	34 869 418	16 299 647	122 582 174	173 751 238

Notes to the financial statements

Note 1
United Nations Environment Programme and its objectives

(a) The United Nations Environment Programme (UNEP) was established by the General Assembly by its resolution 2997 (XXVII) of 15 December 1972, with the Governing Council of UNEP as its policy-making organ and a secretariat to serve as a focal point for environmental action and coordination within the United Nations system.

(b) The mandate of UNEP has been confirmed through various legislative measures, both by the General Assembly and the Governing Council of UNEP. UNEP also provides the secretariats for several global and regional conventions that have been established in areas related to UNEP programme activities.

(c) The activities for which UNEP is responsible fall within programme 11, Environment, of the strategic framework for the biennium 2006-2007.[1] The overall objective of programme 11 is to provide leadership and encourage partnership in caring for the environment by inspiring, informing and enabling nations and peoples to improve their quality of life without compromising that of future generations. The main elements of the strategy for achieving the overall objective include: (i) filling the information and knowledge gap in regard to critical environmental issues through more comprehensive assessments; (ii) identifying and further developing the use of appropriate integrated policy measures in tackling the root causes of major environmental concerns; and (iii) mobilizing action for the better integration of international action to improve the environment, particularly in relation to regional and multilateral agreements, as well as United Nations system-wide collaborative arrangements.

Note 2
Summary of significant accounting and financial reporting policies

(a) The accounts of UNEP are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, administrative instructions issued by the Under-Secretary-General for Management or the Controller, and specific decisions of the Governing Council of UNEP. They also take fully into account the United Nations system accounting standards, as adopted by the Administrative Committee on Coordination, since replaced by the United Nations System Chief Executives Board for Coordination. The organization follows International Accounting Standard No. 1, "Presentation of financial statements", in relation to the disclosure of accounting policies, as modified and adopted by the Chief Executives Board, namely:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

[1] A/59/6/Rev.1 and Corr.1.

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the preceding financial period in respect of all amounts reported;

(vi) A change in an accounting policy that has a material effect in the current biennium or may have a material effect in subsequent bienniums should be disclosed, together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The organization's accounts are maintained on a fund accounting basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the organization is a biennium and consists of two consecutive calendar years for all funds.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting.

(e) The accounts of the organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transactions at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the organization's rates of exchange for the last month of the financial biennium, a footnote will be presented quantifying the difference.

(f) The organization's financial statements are prepared on the historical cost basis of accounting, and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the indirect method of cash flow as referred to in the United Nations system accounting standards.

(h) The organization's financial statements are presented in accordance with the ongoing recommendations of the Working Party on Accounting Standards to the Chief Executives Board.

(i) The results of the organization's operations presented in statements I to III are combined after the elimination of instances of double-counting of income and expenditure. Their presentation on a combined basis does not imply that the various

separate funds can be intermingled in any way since, normally, resources may not be utilized between funds.

(j) The regular budget of the United Nations meets part of the costs of the secretariat of the United Nations Environment Programme established under General Assembly resolution 2997 (XXVII). Details of the expenditure may be found in the financial report and audited financial statements of the United Nations. They are not considered further in the present report.

(k) Income:

(i) Voluntary contributions to the Environment Fund and multilateral environmental agreements from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial biennium. Pledges to the Environment Fund remaining unpaid after four years are written off with the approval of the Governing Council. Pledges to multilateral environmental agreements which involve a budget that has been approved by the parties are written off with the approval of the parties to the agreement concerned. Contributions to trust funds are recorded as income upon receipt;

(ii) Income received under interorganizational arrangements represents allocations of funding from agencies to enable the organization to administer projects or other programmes on their behalf;

(iii) Allocations from other funds represent monies appropriated or designated from one fund for transfer to and disbursement from another fund;

(iv) Income for services rendered includes reimbursements for salaries of staff members and other costs which are attributable to providing technical and administrative support to other organizations;

(v) Interest income includes all interest earned on deposits in bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to participating funds;

(vi) Miscellaneous income includes refunds of expenditure charged to prior bienniums, income from net gains resulting from currency translations, monies accepted for which no purpose was specified, uncashed cheques one year from their date of issuance, interest from earmarked contributions to the Environment Fund and other sundry income;

(vii) Income relating to future financial bienniums is not recognized in the current financial biennium and is recorded as payments or contributions received in advance, as referred to in item (n) (iii) below.

(l) Expenditure:

(i) Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements;

(ii) Expenditure incurred for non-expendable property is charged to the budget of the biennium when acquired and is not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditure for future financial bienniums is not charged to the current financial biennium and is recorded as deferred charges, as referred to in item (m) (iv) below.

(m) Assets:

(i) Cash and term deposits comprise funds held in demand deposit accounts and interest-bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments in the cash pools. Cost is defined as the nominal value plus or minus any unamortized premium or discount. Short-term investments, stated at the lower of cost or market value, and long-term investments, stated at cost, are disclosed in note 5;

(iii) United Nations Headquarters cash pools comprise participating funds' share of the cash and term deposits, short-term investments and accrual of investment income, all of which are managed in the pools. The investments in the pools are similar in nature and are accounted for as stated in item (m) (ii) above. Income earned on the investments of the cash pools and the costs associated with the operation of these investments are allocated to participating funds. Each participating fund's share in the cash pools is reported separately in its statements;

(iv) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial biennium. They will be charged as expenditure in a subsequent biennium. These expenditure items include commitments approved for future financial bienniums in accordance with rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(v) Inter-fund balances reflect transactions between funds, and are included in the amounts due to and from the Environment Fund, trust funds, other special accounts, the United Nations General Fund and other United Nations funds which are normally settled periodically, depending upon the availability of cash resources;

(vi) For the purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(vii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment and other non-expendable property are not included in the assets of the organization. Acquisitions are charged against budgetary accounts in the year of purchase.

The value of non-expendable property is recorded in memoranda accounts and disclosed in note 13 to the financial statements.

(n) Liabilities, reserves and fund balances:

(i) Operating and other types of reserves are included in the totals for reserves and fund balances shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future bienniums, payments or contributions received in advance and other income received but not yet earned;

(iv) Commitments of the organization relating to prior, current, and future financial bienniums are shown as unliquidated obligations. Current biennium obligations related to trust funds remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year;

(v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vi) Accrued liabilities for end-of-service and post-retirement benefits, comprising those for after-service health insurance, unused vacation days and repatriation benefits, previously disclosed in the notes to the financial statements, are, effective with the biennium ended 31 December 2007, included as liabilities in the statement of assets, liabilities and reserves and fund balances. The change in presentation is made in order to recognize such liabilities when incurred and, with respect to recognition of after-service health insurance liabilities, is done in accordance with General Assembly resolution 60/255 of 8 May 2006. Since July 2002, a provision calculated at 8 per cent of net base salary is made in the Environment Fund and trust funds for end-of-service repatriation benefits (see note 12).

(o) Financial reserve. As stated in rule 209.2 of the Financial Rules of the Fund of the United Nations Environment Programme, the purpose of the financial reserve is to guarantee the financial liquidity and integrity of the Environment Fund, to compensate for uneven cash flows and to meet such other similar requirements as may be decided upon by the Governing Council. The level of the financial reserve is determined from time to time by the Governing Council which, in paragraph 14 of its decision 20/31 of 9 February 1999, authorized the Executive Director to increase further the level of the financial reserve to United States dollars 20 million as and when carry-over resources become available over and above those needed to implement the programme approved.

(p) Operational reserve. With regard to the Special Account for Programme Support Costs, an operational reserve is required to protect against unforeseen shortfalls in delivery, inflation and currency adjustments or to liquidate legal obligations in the case of abrupt terminations of activities financed from extrabudgetary resources.

(q) Revolving Fund. The Governing Council, by its decision 11 (II) of 22 March 1974, established the Revolving Fund (Information) to finance the production of materials in support of national programmes of public information and education in the environmental field. The Council also decided that the income from the sale or rental of information materials, the production of which was financed from the Revolving Fund (Information), should be credited to that Fund. Any cumulative surplus in excess of United States dollars 200,000 is transferred to the Environment Fund at the end of the financial biennium.

(r) Project expenditure in respect of UNEP projects undertaken by cooperating agencies and supporting organizations are recorded in the UNEP accounts on the basis of actual expenditure of funds reported by them to UNEP. Expenditure includes the unliquidated obligations of cooperating agencies. The unspent balances of the remittances held by agencies and organizations are recorded as advances in the UNEP accounts.

(s) A provision to meet contingent liabilities for compensation payments under appendix D to the Staff Rules of the United Nations for the personnel financed from trust funds and the Environment Fund has been made and is calculated on the basis of 1 per cent of the net base pay.

(t) Trust funds. UNEP follows the general provisions of Secretary-General's bulletin ST/SGB/188, on the establishment and management of trust funds, and the supporting administrative instructions (ST/AI/285 and ST/AI/286), although, as indicated in paragraph 3 of the bulletin, its provisions do not apply to funds such as the Fund of the United Nations Environment Programme, which are subject to the administrative authority of their executive heads.

(u) At the 11th meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer, it was decided that promissory notes constituted committable resources and that the deposit of a promissory note would be considered to be payment of a country's contribution to the Multilateral Fund. Consequently, promissory notes received from member countries have been reflected accordingly in the accounts of the Multilateral Fund.

(v) The United Nations Environment Programme is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the organization to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the United Nations Joint Staff Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provisions of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the date of the current financial statements, the General Assembly has not invoked this provision.

Note 3
Miscellaneous income

(Thousands of United States dollars)

	Environment Fund	*All trust funds and earmarked contributions*	*Special Account for Programme Support Costs Fund*	*Total*	
				2007	*2005*
Gain on currency exchange transactions	893	4 685	497	6 075	1 230
Other miscellaneous	351	1 444	1 000	2 795	2 113
Old credit balances	1 403	—	—	1 403	—
Royalties	—	11	—	11	25
Total	**2 647**	**6 140**	**1 497**	**10 284**	**3 368**

Note 4
Prior period adjustments

(Thousands of United States dollars)

	Environment Fund	*All trust funds and earmarked contributions*	*Special Account for Programme Support Costs Fund*	*Total*	
				2007	*2005*
Adjustment to prior period pledges	126	88		214	3 857
Write-offs	(47)	(5)	—	(52)	92
Net adjustment to prior period	(217)	(1 100)	(615)	(1 932)	(7 065)
Reinstatement of end-of-service and post-retirement liabilities as at 31 December	—	—	—	—	(11 133)
Other	—	—	—		(677)
Total	**(138)**	**(1 017)**	**(615)**	**(1 770)**	**(14 926)**

Note 5
Convertible and non-convertible cash, bank deposits and investments as at 31 December 2007[a]

(Thousands of United States dollars)

	Reference	*Cash and term deposits*	*United Nations United States dollar cash pools*	*Euro cash pool*[c]
Environment Fund				
United States dollars	Statement IV	16 883	34 437	—
Represented by:				
Cash and term deposits		16 883	17 546	—
Short-term investments[b]		—	10 173	—
Long-term investments		—	6 578	—
Accrued interest receivable		—	140	—
		16 883	34 437	
UNEP trust funds and other accounts				
United States dollar cash pool				
General trust funds		18 109	51 657	16 547
CITES: investment outside UNEP cash pools		—	1 844	—
Total general trust funds	Statement II	18 109	53 501	16 547
Technical cooperation trust funds	Statement II	—	86 856	7 816
UNEP Professional Officers trust funds	Statement II	—	4 990	—
Special Account for Programme Support	Statement VI	—	3 571	5 213
Earmarked contributions	Statement II	2	33 625	8 698
Other	Statement II	38	260	—
		18 149	182 803	38 274
Represented by:				
Cash and term deposits		18 149	92 203	35 639
Short-term investments[b]			53 458	2 483
Long-term investments		—	34 562	—
Accrued interest receivable		—	736	162
Unrealized loss		—	—	(10)
		18 149	180 959	38 274
CITES				
Represented by:				
Short-term investments		—	1 745	—
Accrued interest receivable		—	99	—
		—	1 844	—
Total UNEP trust funds and other accounts		18 149	182 803	38 274
Total UNEP cash, bank deposits and investments		35 032	217 240	38 274

	Reference	Cash and term deposits	United Nations United States dollar cash pools	Euro cash pool[c]
Multilateral Fund				
United States dollars	Statement IX	453	32 392	—
Represented by:				
Cash and term deposits		453	16 505	—
Short-term investments[b]		—	9 569	—
Long-term investments		—	6 187	—
Accrued interest receivable		—	131	—
		453	**32 392**	—

Abbreviation: CITES, Convention on International Trade in Endangered Species of Wild Flora and Fauna.

[a] All investments system-wide are placed in joint investment pools for all offices away from Headquarters. Treasury at United Nations Headquarters is solely responsible for investment policy and participating offices are only responsible for their own cash flow management.

[b] When the market value of the short-term investments is lower than the cost, the book value is adjusted accordingly.

[c] The Euro cash pool comprises cash and term deposits of €24,442, long-term investments of €1,703, accrued interest receivable of €111 and on unrealized loss of €6,596.51.

Note 6
Financial reporting by agencies and supporting organizations

With the exception of 11, all agencies and organizations engaged in the implementation of projects funded by UNEP and/or its associated trust funds reported their expenditure as at 31 December 2007.

Note 7
Inter-fund balances

Inter-fund balances reflect transactions between the Environment Fund, trust funds, other special accounts, the United Nations General Fund and other United Nations funds which are normally settled periodically. The following table is a breakdown of inter-fund balances, in thousands of United States dollars:

	2007	2005
Inter-fund balances receivable		
General trust funds	10 883	5 222
Technical cooperation trust funds	—	15 829
Professional Officers Programme	—	925
Special Account for Programme Support	—	—
UNEP earmarked contributions	—	6 891
End-of-service benefits funds	10 641	6 330
Counterpart non-convertible currency contributions — Mediterranean	—	
Revolving Fund (Information)	—	107
Subtotal	**52 976**	**44 152**

	2007	2005
Inter-fund balances payable		
Environment Fund	4 860	2 457
General trust funds	28 431	29 028
Technical cooperation trust funds	—	5 293
Professional Officers Programme	—	690
UNEP earmarked contributions	—	4 041
United Nations Scientific Committee on the Effects of Atomic Radiation	163	—
Counterpart non-convertible currency contributions — Mediterranean		—
Counterpart non-convertible currency contributions — Caribbean		
Subtotal	**54 031**	**41 664**
Net inter-fund balance	(1 055)	2 488
The net inter-fund balance is due (to)/from		
Multilateral Fund (statement X)	(170)	(3 750)
United Nations Office at Nairobi	(1 646)	(632)
UN-Habitat	355	1 821
United Nations General Fund	406	5 049
Total	**(1 055)**	**2 488**

During the 2006-2007 biennium, there was a change in the reporting of the inter-fund balances by discontinuing the offsetting practice. Inter-fund balances are now reported as assets and liabilities without offset. Comparative balances have been restated accordingly. However, for the Environment Fund, balances have been offset since the funding source is the same.

Note 8
Other accounts receivable

The totals below, in thousands of United States dollars, provide a comparison of the amounts shown in statement II as other receivables, as at 31 December 2007 and 31 December 2005.

	Environment Fund	Other trust funds	Special Account for Programme Support Costs Fund	Total 2007	Total 2005
Staff members	1 179	1 248	30	2 457	2 450
Vendors	273	122	—	395	220
Specialized agencies	81	24 782	—	24 863	24 958
Other United Nations agencies	925	46 250	7	47 182	47 362
Other	289	269	—	558	135
Total	**2 747**	**72 671**	**37**	**75 455**	**75 125**

Ageing of other accounts receivable

	0-6 months	*7-12 months*	*13-24 months*	*More than 24 months*	*Total*
Staff member	1 487	118	302	550	2 457
Vendor	149	20	4	222	395
Specialized agencies	3 091	2 906	17 471	1 395	24 863
Other United Nations entities	24 478	17 145	2 038	3 521	47 182
Other persons	60	402	26	70	558
Total	**29 265**	**20 591**	**19 841**	**5 758**	**75 455**

Note 9
Other assets

The totals below, in thousands of United States dollars, provide a comparison of the amounts shown in statement II as other assets, as at 31 December 2007 and 31 December 2005.

	Environment Fund	*Other trust funds*	*Special Account for Programme Support Costs Fund*	*Total*	
				2007	*2005*
Education grant advances	392	317	32	741	582
Other	178	1 304	700	2 182	1 098
Total	**570**	**1 621**	**732**	**2 923**	**1 680**

Note 10
Other accounts payable

The totals below, in thousands of United States dollars, provide a comparison of the amounts shown in statement IV as at 31 December 2007 and 31 December 2005.

	Environment Fund	*Other trust funds*	*Special Account for Programme Support Costs Fund*	*Total*	
				2007	*2005*
Governments	(62)	1 803	—	1 741	1 724
Staff members	349	565	32	946	876
Vendors	510	610	4	1 124	1 155
Specialized agencies	(74)	1 607	—	1 533	109
Other United Nations agencies	2 104	15 995	2 224	20 323	21 575
Other	119	433	10	562	4 409
Total	**2 946**	**21 013**	**2 270**	**26 229**	**29 848**

Note 11
Reserves

The following table provides a breakdown of reserves as at 31 December 2007 and 31 December 2005, in thousands of United States dollars:

	2007	*2005*
Endowment Fund	513	1 567
Operating reserve	24 963	13 239
Total reserves	**25 476**	**14 806**

Note 12
End-of-service and post-retirement benefits

Prior to 31 December 2007, the liability of UNEP for post-retirement benefits was not recognized on the face of the financial statements but disclosed in the notes, as allowed under United Nations system accounting standards. However, best accounting practices on employee benefits, including International Public Sector Accounting Standard No. 25 and International Accounting Standard No. 19, require that post-employment benefits be accounted for on a full accrual basis under which the liability is to be recognized when the employee has provided the service in exchange for benefits to be paid in the future.

The procedures set out below are not yet fully compliant with the International Public Sector Accounting Standards.

After-service health insurance

The after-service health insurance programme at the United Nations extends subsidized health insurance coverage to retirees and their dependants under the same health insurance schemes as for active staff, if the eligibility requirements are met.

The United Nations health benefits programmes are self-funded, with insurance companies engaged as third-party administrators for the general management of the plans and for the adjudication of claims. All claims paid by the third-party administrators are reimbursed by the United Nations and, in addition, an administrative fee is paid. Expenditure relating to the Organization's subsidy of the after-service health insurance programme is appropriated and recorded on a pay-as-you-go basis. Commencing 31 December 2007, the organization's liability for after-service health insurance benefits to be paid in the future is recognized in the financial statements.

At present, no assets have been segregated to provide for these health insurance benefits.

In order to gain a better understanding of the financial dimensions of the organization's liabilities for after-service health insurance, which is a defined benefit plan, a consulting actuary was engaged to carry out an actuarial valuation of after-service health insurance benefits. The major assumptions used by the actuary were a discount rate of 5.5 per cent; health-care escalation rates of 9.5 per cent in 2008, grading down to 5.0 per cent in 2015 and later years for United States medical plans, and 5.7 per cent in 2008, grading down to 4.5 per cent in 2012 and later years

for medical plans outside the United States of America; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation. On the basis of these assumptions, the organization's liability as at 31 December 2007 for after-service health insurance benefits is as shown in the table below.

Repatriation benefits

United Nations staff who separate from the Organization are entitled to be paid repatriation benefits based on the number of years of service. These benefits consist of a grant and travel costs in connection with the return of staff members and dependants to their home country. The liability for repatriation benefits is recorded as a debit adjustment to reserves and fund balances and a credit to the deferred payable account.

As at 31 December 2005, the liability for repatriation benefits was based only on the grant portion and measured based on the currently eligible staff members at current pay rates. A single liability amount for repatriation grant benefits was presented.

As at 31 December 2007, the liability now includes the travel component of repatriation benefits. The travel component is estimated based on the level of the repatriation grant liability, using a five-year comparison of actual repatriation grants to related actual repatriation travel costs to derive the ratio.

Unused annual leave

United Nations staff who separate from the Organization are entitled to be paid for any unused vacation days that they have accrued, up to a maximum of 60 days. The liability is measured by taking the actual number of unused vacation days within the 60-day limit (extracted from the Organization's time and attendance records) and multiplying them by the current pay rate.

The liability is recorded as a debit adjustment to reserves and fund balances and a credit to the deferred payable account.

Breakdown of end-of-service liabilities by major fund for the biennium ended 31 December 2007

(Thousands of United States dollars)

	Environment Fund	*Trust funds*	*Total*
After-service health insurance	2 318	35 827	38 145
Unused vacation days	4 769	7 967	12 736
Repatriation benefits	3 841	4 645	8 486
Total	**10 928**	**48 439**	**59 367**
Less provision already made for repatriation benefits			10 641
Liability not funded as at 31 December 2007			48 726

Note: The amounts assigned to each fund are based on the assigned posts as at the reporting date.

Note 13
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the organization but is charged against the current appropriations when acquired. The following table shows the non-expendable property by category (in thousands of United States dollars):

	2007	*2005*
Computer equipment	5 950	5 619
Office equipment	2 836	2 829
Radio and telecommunication equipment	335	322
Audio-visual/photographic equipment	323	299
Transportation equipment	197	199
Furniture	1 042	957
Maintenance equipment	10	10
Document and reproduction equipment	983	983
Total equipment relating to UNEP projects	3 669	2 650
Medical equipment	2	—
Total equipment relating to regional and outposted offices	2 151	4 823
Total	**17 498**	**18 691**
Summary		
Opening balance	18 691	15 856
Total acquisitions locally procured	606	1 638
Disposals		
Write-offs	(195)	(16)
Sales	(1)	—
Donation	(2 075)	—
Transfers to other offices/missions	—	(58)
Adjustments	472	1 271
Closing balance	17 498	18 691
Write-offs		
Theft	(5)	(15)
Damaged/destroyed	—	(1)
Obsolescence	(8)	—
Total	**(13)**	**(16)**
ding write-offs — awaiting disposal		
Radio and telecommunication equipment	—	650
UNEP projects	—	433
Regional and outposted offices	—	692
Total	**—**	**1 775**
Pending write-offs — awaiting approval		
Regional and outposted offices	9	10
Total pending write-offs	**9**	**1 785**

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